

# The Rise and Development of the Global Debt Movement

## *A North-South Dialogue*

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This United Nations Research Institute for Social Development (UNRISD) Programme Paper has been produced with the support of the Swiss Agency for Development and Cooperation (SDC). UNRISD also thanks the governments of Denmark, Finland, Mexico, Norway, Sweden, Switzerland and the United Kingdom for their core funding.

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ISSN 1020-8178

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## Acronyms

<b>AFRODAD</b>	African Forum and Network on Debt and Development
<b>AIDS</b>	acquired immunodeficiency syndrome
<b>ATTAC</b>	Association pour la Taxation des Transactions pour l'Aide aux Citoyens ( <i>Association for the Taxation of Financial Transactions for the Aid of Citizens</i> )
<b>BBC</b>	British Broadcasting Corporation
<b>BWI</b>	Bretton Woods institution
<b>CADTM</b>	Comité pour l'Annulation de la Dette du Tiers Monde ( <i>Committee for the Cancellation of the Third World Debt</i> )
<b>EU</b>	European Union
<b>Eurodad</b>	European Network on Debt and Development
<b>G7/G8</b>	Group of Seven/Group of Eight
<b>HIPC</b>	Heavily Indebted Poor Countries
<b>HIV</b>	human immunodeficiency virus
<b>IFI</b>	international financial institution
<b>IMF</b>	International Monetary Fund
<b>NGO</b>	non-governmental organization
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>SAP</b>	structural adjustment programme
<b>SDRM</b>	Sovereign Debt Restructure Mechanism
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>UNU</b>	United Nations University
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>US</b>	United States
<b>WIDER</b>	World Institute for Development Economics Research
<b>WSF</b>	World Social Forum

## Summary/Résumé/Resumen

### Summary

For decades, the debt issue has remained a front-runner – or perhaps even *the* front-runner – on the agendas of civil society organizations and movements throughout the world. The debt problem is a fascinating mosaic of world politics and power relations spiced with greed and mistrust. It also shows the devastating consequences of systemic imbalances in the global economy. From the civil society standpoint, these consequences have resulted in human suffering and diminished opportunities for those affected by debt.

An impressively wide range of civil society organizations have been working on the debt issue: from single-issue HIV/AIDS organizations to churches, from radical groups to academics. Within these movements, perhaps the most prominent issue of contention is the approach of development aid as a form of charity versus a call for global justice.

Civil society in the South argues for immediate and complete cancellation of debts, appealing to human rights, moral justice and the historic debt of the North toward the South. The debt problem is, at times, referred to as a mechanism of re-colonization. In the North, impressive mass mobilizations have attracted the attention of creditor governments, and led to media calls for solving the problem of illegitimate debt. Even though civil society movements have denounced the debt burden on developing countries, effective measures have not yet been taken to solve the debt problem. And despite the common goal of finding a solution to the debt problem of the South, debt campaigners do not agree on how this goal should be attained.

These differing approaches loosely distinguish the North-South divide, which sharpened following the split of the Jubilee campaign in 2000. Having said this, the debt work of civil society organizations constitutes a textbook case of necessity for North-South cooperation in terms of fact finding, knowledge building and political pressuring. If getting an issue onto the political agenda is an indicator of successful civil society work, the debt movements have been very successful. In addition, the work done by civil society organizations has created public awareness of the debt problem. But the actual reduction of the debt burden has been modest, standing today at about three times what it was in the 1980s. Figures show that indebted countries have paid, in pure interest, the amount owed to the international financial institutions. This is used as an argument for the debt problem being a *political* problem rather than an *economic* one. Still, the potential usefulness of the historical and moral arguments – among others – put forward by civil society should be revisited.

Potential research gaps raised in this paper include practical consequences of debt cancellation, the mechanisms that maintain the debt problem, and how these can be addressed. These issues should be thought of within a framework of developing alternative structures for the world economy.

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### Résumé

Depuis des décennies, la question de la dette est restée en tête des préoccupations des organisations et mouvements de la société civile à travers le monde, lorsqu'elle n'en était pas la

préoccupation essentielle. Le problème de la dette est une mosaïque fascinante de rapports de force et de jeux politiques sur un plan mondial, exacerbés par la cupidité et la méfiance. Elle montre aussi les conséquences dévastatrices des déséquilibres systémiques de l'économie mondiale. Du point de vue de la société civile, ces conséquences ont entraîné des souffrances humaines et diminué les chances de ceux qui les ont subies.

Les organisations de la société civile qui s'intéressent à la question de la dette sont d'une incroyable diversité: elles vont des organisations centrées sur une seule question comme le VIH/SIDA aux églises en passant par les groupes radicaux et les universitaires. A l'intérieur de ces mouvements, la ligne de partage la plus évidente et, en conséquence, le premier germe de discorde, est le regard porté sur l'aide au développement, considérée ou sous l'angle de la charité ou sous celui d'un appel pour la justice dans le monde.

Dans le Sud, la société civile plaide pour une annulation immédiate et complète des dettes en invoquant les droits de l'homme, la justice morale et la dette historique du Nord envers le Sud, et présente parfois le problème de la dette comme un mécanisme de recolonisation. Dans le Nord, des mobilisations massives ont attiré l'attention des gouvernements créanciers et amené les médias à lancer des appels en faveur du règlement du problème de la dette illégitime. Même si des mouvements de la société civile ont dénoncé la charge que représente la dette pour les pays en développement, il n'a pas encore été pris de mesures efficaces pour régler ce problème. Et bien que ceux qui font campagne veuillent tous trouver une solution au problème de la dette du Sud, ils ne sont pas d'accord sur les moyens à employer.

Telles sont dans les grandes lignes les différences d'approche entre le Nord et le Sud, qui se sont accentuées à la suite de la scission de la campagne Jubilé en 2000. Cela dit, le travail des organisations de la société civile sur la dette constitue un cas d'école en montrant la nécessité pour le Nord et le Sud de coopérer pour établir les faits, produire un savoir et exercer des pressions politiques. Si l'inscription d'une question à l'ordre du jour politique est un indice de succès pour la société civile, les mouvements sur la dette ont très bien réussi. De plus, l'action menée par les organisations de la société civile ont sensibilisé le public au problème de la dette. Cependant, en réalité, la charge de la dette ne s'est que légèrement réduite et elle est aujourd'hui trois fois plus importante qu'elle ne l'était dans les années 80. Les chiffres montrent que les pays endettés ont remboursé, en intérêts, le capital dû aux institutions financières internationales. Cet argument sert à présenter la dette comme un problème *politique* plutôt qu'*économique*. Il n'en reste pas moins que les arguments historiques et moraux, entre autres, avancés par la société civile devraient être revisités en fonction de leur utilité potentielle.

Les auteurs évoquent dans leur étude plusieurs sujets sur lesquels pourrait porter la recherche tels que les conséquences pratiques de l'annulation des dettes, les mécanismes qui entretiennent le problème de la dette et les moyens de les enrayer. On devrait réfléchir à ces questions dans le cadre d'un développement de structures alternatives pour l'économie mondiale.

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## **Resumen**

El tema de la deuda ha figurado por décadas como uno de los temas más importantes –o quizás como el más importante de todos– en las agendas de las organizaciones y movimientos de la sociedad civil de todo el mundo. El problema de la deuda constituye un mosaico fascinante de

política internacional y relaciones de poder en el mundo, aderezado con una dosis de codicia y desconfianza. También revela las devastadoras consecuencias de los desequilibrios sistémicos de la economía mundial. Desde el punto de vista de la sociedad civil, estas consecuencias se han traducido en sufrimiento humano y pérdida de oportunidades para quienes se han visto afectados por este problema.

El trabajo de la sociedad civil en torno al tema de la deuda es impresionantemente amplio: abarca desde organizaciones que se ocupan del problema del VIH/SIDA hasta la iglesia, desde grupos radicales hasta el sector académico. Y al interior de estos movimientos, el factor más prominente—y, en consecuencia, el principal punto de debate en el seno de estos movimientos—es la manera de entender la asistencia para el desarrollo como una expresión de caridad contra un llamado en pro de la justicia social.

La sociedad civil del Sur se pronuncia en favor de la condonación total e inmediata de las deudas, con argumentos basados en los derechos humanos, la justicia moral y la deuda histórica del Norte con el Sur. En ocasiones se ha llegado a hablar del problema de la deuda como un mecanismo de recolonización. En el Norte, impresionantes movilizaciones de masas han captado la atención de los gobiernos acreedores y generado llamados en los medios de comunicación para que se resuelva el problema de la deuda ilegítima. Si bien los movimientos de la sociedad civil han denunciado el peso que comporta la deuda para los países en desarrollo, hasta la fecha no se han tomado medidas eficaces para resolver este problema. Y a pesar de tener la meta común de hallar una solución al problema de la deuda del Sur, quienes abogan por resolver este asunto no logran ponerse de acuerdo en torno a la manera de alcanzar este objetivo.

Estos enfoques divergentes caracterizan vagamente la brecha Norte-Sur, la cual se profundizó tras el cisma de la campaña del Jubileo 2000. No obstante, la labor de las organizaciones de la sociedad civil sobre el tema de la deuda constituye un ejemplo clásico de la necesidad de lograr una mayor cooperación entre el Norte y el Sur en torno a asuntos como la recopilación de información, la acumulación de conocimiento y la presión política. Si el lograr incluir un tema en la agenda política es señal del éxito de los esfuerzos de la sociedad civil, los movimientos vinculados al tema de la deuda han tenido un resonante éxito. Además, el trabajo que han realizado las organizaciones de la sociedad civil ha generado una mayor conciencia pública sobre el problema de la deuda. Sin embargo, la reducción real de la carga de la deuda ha sido modesta, ya que, actualmente, la deuda es tres veces la que era en los años 80. Las cifras muestran que los países endeudados han pagado, sólo en intereses, el monto adeudado a las instituciones financieras internacionales. Este hecho se ha utilizado como argumento para presentar el problema de la deuda como un problema *político* más que *económico*. Sin embargo, es menester replantearse la potencial utilidad de los argumentos históricos y morales—entre otros—que maneja la sociedad civil.

En este ensayo se mencionan posibles lagunas de investigación sobre este tema, como las consecuencias prácticas de la condonación de la deuda, los mecanismos que contribuyen a mantener el problema de la deuda y la forma de enfrentarlos. Se debería considerar estas cuestiones dentro del marco del desarrollo de estructuras alternativas para la economía mundial.

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*The history of third world debt is the history of a massive siphoning-off by international finance of the resources of the most deprived peoples (United Nations 2004:paragraph 6).*

## **1. Origins of the Debt Movements**

In summer 2005, the *New York Times* estimated that an impressive 160 million people were involved, in one way or another in pressuring Western governments to cancel billions of dollars of debt that poor countries cannot pay. In marches at the World Social Forum (WSF) events around the world, numerous banners call for dropping the debt of developing countries. In 1998, about 70,000 people formed a human chain in Birmingham, United Kingdom, calling for “breaking the chains of debt”. During the past several decades, the debt problem has remained prominently on the agendas of social movements and civil society organizations.

A common issue that unifies Southern debt movements is the feeling of a shared “common history of slavery, colonization, neocolonialism and struggles against domination” of the North (Jubilee South Asia-Pacific 2001; Jubilee South Africa 2004). The debt is often seen as an expression of these Northern<sup>1</sup> practices.

Civil society organizations working on debt and debt movements existed well before the “White Band” campaign of Make Poverty History, or its predecessor, the Jubilee 2000 campaign. The origins of the debt movements can be found in the emergence of the debt crisis in the South and the witnessing of the negative outcomes that the debt problem has caused for the populations. In the South, the origin of the debt movements dates back to “resistance to colonialism” and opposition to the structural adjustment programmes (SAPs) of the Bretton Woods institutions (BWIs). The Mexican crisis in August 1982 became a milestone in initiating cooperation between Northern civil society organizations and debt campaigners in the South (Jubilee Debt Campaign et al. 2003:6). Economists Kunibert Raffer and Hans Singer (2004:158) confirm that, in general, although the default of Poland in 1981 was already a major shock, it was the following year, when Mexico declared itself unable to honour its debt obligations, that was conventionally seen as the beginning of the debt crisis.

However, almost a quarter of a century later, and despite constant, vast civil society mobilizations around the issue of debt, the same debt administration system remains. The debt of developing countries was 2.5 times greater in 2006 than it was in 1985. In pure interest, the amounts paid to international financial institutions (IFIs), and private and public creditors, are six times what they owed in 1985. This reveals that the debt problem cannot be seen as a purely *economic* problem. On the contrary, civil society organizations consider the debt problem of the developing countries to be a *political* problem above all else. For instance, some Southern countries agreed during the first Jubilee South-South Summit in South Africa in 1999 that “external debt is an ethical, political, social, historical, and ecological problem”. This list shows the complexity of the debt problem, and it is noteworthy that the word “economic” is not mentioned. Consequently, in their campaigns, Jubilee South put less emphasis on the debt issue as an economic or financial problem. Rather, from the Jubilee South perspective, debt “is an instrument of power that helps insure and perpetuate the transfer of resources from South to North” (Bendaña 2002). In contrast, the creditors have remained committed to their financial and economic discourse (Dembele 2006).

Since its origin, the base of the debt movements has developed into a broad-based membership that embraces workers, youth, students, activists, scholars, professors, peasants, women, social movements, non-governmental organizations (NGOs), academics, churches, fair trade campaigners, national, regional and international networks and coalitions formed purely around the debt issue.

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<sup>1</sup> In line with common custom, here “the South” signifies developing countries and “the North” the developed countries.

Debt movements claim that national policies implemented as a result of SAPs have exacerbated the economic and social crises in the South. Poor countries are concerned about both the short- and long-term effects of these programmes. It is for this reason that civil society organizations—as well as governments—have expressed worry about the effects on the future possibilities of their peoples.

Problems generated by external debt on the economies of some developing countries, such as in Latin America, are not a new phenomenon. These problems had already emerged in the nineteenth century when the first loans were assumed (Acosta 1999:47). Since then, the increasing debts of the South have only perpetuated the situation. Why? Some explanatory reasons are the underlying problems embodied in the mechanisms of international trade. These mechanisms do not strive for a global balance in trade accounts, but rather for a system where surplus economies maintain their surpluses by keeping the deficit economies in deficit. The situation worsened due to declining terms of trade for the developing countries and falling commodity prices, the prime export of developing countries. Furthermore, by exaggerating the attractiveness of loans at low interest rates and binding the excess liquidity acquired from the oil business, developing countries took on an enormous amount of debt.

In practice, the system allows unfair negotiating conditions for loans, including no assessment of potential internal financial problems by the debtors, or risk scenarios regarding potential measures that creditors may take in the future. In addition, the system does not include an international protection mechanism in favour of the debtors. In this context, an important way to deal with this problem may be the establishment of an international institution or mechanism whereby the debtors can discuss the non-payment of the debt for future generations (Béjar 1999:49).

The systematic accumulation of debt in developing countries over the years reveals that despite massive and persuasive work by civil society organizations in highly innovative forms and in diverse geographical locations, the debt problem has yet to come to an end.

### ***Origins of the debt problem: Civil society assessments***

How did the debt problem of developing countries spark an interest with civil society actors? During the Cold War, the former Soviet Union and the United States financially supported their respective allied governments in Southern countries. World politics was polarized, and loyalty toward political ideologies was rewarded. From a debt movement perspective, the BWIs served as a political tool to support and export a Western market-driven ideology (Jubilee South December 2000). This ideology was based on the free market theory of economics led by an invisible hand. Originally developed by Adam Smith, the theory of the invisible hand stands for a belief in the automatic allocation of resources through market forces. Governmental regulations or other interventions in the market are seen as hindrances to automatic allocation. During the Cold War, this belief in the free market was particularly accentuated in the West—in contrast to the communist ideology of the former Soviet Union. The latter part of the Cold War—the era of UK Prime Minister Margaret Thatcher and US President Ronald Reagan—led to the Washington consensus and saw the propagation of the ideology of extreme free-market policies with deep-rooted aversion to state intervention (Hertz 2004:112).

In 1952, the BWIs began introducing SAPs, which were created as a result of great pressure from the United States, then the main creditor of the world financial system. The SAPs were further developed in the 1960s and 1970s. In the 1970s, in particular, lending by the International Monetary Fund (IMF) quickly picked up its rate due to an encouraged rise in debt stocks, and the two oil crises—first in 1973 and then again in 1979. In turn, nominal debts increased rapidly because of rising interest rates. Beginning in the 1970s and accelerating in the 1980s, conditionality programmes spread within the developing world. A wave of SAPs first hit Latin America and, then shortly after, the African continent, embarking in the sub-Saharan region and spreading to other regions. Today, every country on the African continent has

experienced SAPs in some form. Following the postwar reconstruction in Europe in particular, the World Bank loans began to focus primarily on specific development projects; but as a result of the debt crises of many Southern countries, the Bank also began to provide policy-based adjustment loans, one of the mechanisms of SAPs. In practice, this meant that countries in financial trouble have been asked to “adjust” or to “reconstruct” their economies.

The argument for installing SAPs was that they would improve the debtor country’s balance of payments. This adaptation was designed to cut down government spending and subsidies; liberalize trade and finance; and privatize public companies, including monopolies in basic infrastructure. In other words, countries were encouraged to take steps toward “good governance”. The argument behind this was that “by saving governmental spending and selling state property, indebted states would relieve resources and pay back debt”. Meanwhile, the socioeconomic systems of the affected countries were transformed (Patomäki and Teivainen 2004:47, 51). In line with SAPs, governments would sell off—that is, privatize—state property, which would make government finances look temporarily better.

At the same time as these developments in policy implementation were taking place, the prices of commodities fell steadily and, at times, sharply. This meant that the commodity-driven exports of developing countries have shrunk. Oxfam (2004:6) reports that “in 2001, coffee on the international market was worth just 16 per cent of what it was in 1980, after taking inflation into account; and cotton was worth no more than 21 per cent of what it was in 1980”. The manufactured exports from Southern countries tend to be technologically simpler than the manufactured imports from developed countries; “other things being equal, falling terms of trade for poorer countries and improving terms of trade for richer countries would mean greater inequality between countries” (Raffer and Singer 2004:17).

In summary, the combination of SAPs, falling commodity prices and generally falling terms of trade with the undercurrents of amounting debts—despite nominal debt servicing—have led to difficult economic situations with few positive prospects in Southern countries. The additional spice of sudden rocketing interest rates unilaterally implemented by the creditors added both to the debt burden and to the mistrust against the creditors.

On a national level, the socioeconomic systems of the developing countries have not developed; rather, they have been cut down in the name of good governance by the implementation of SAPs. On an international level, the governments of developing countries have had to borrow more money from private sources, international banks and the IFIs to service previously acquired debts.

The indebtedness of developing countries can further be divided into national and international debt, or internal and external debts. For instance, South Africa is carrying a heavy burden of internal debt. The external debt, in turn, can be divided into public external debt and private external debt. Further specification can divide the public external debt into multilateral, bilateral and private (see, for instance, Millet and Toussaint 2004:13). Internationally, civil society organizations have focused mainly on external debt, and debt owed to public creditors, with the common experience being similar outside factors causing similar types of domestic problems.

### ***Blaming the BWIs***

One of the main criticisms of SAPs is that the promise of a better future has not materialized during the years of structural adjustment. On the contrary, SAPs have been blamed for many of the economic problems that people face in their everyday lives. The link between the policies of the BWIs and the debt problem is repeatedly pointed to by civil society.

Furthermore, the BWIs have been criticized for lending money without considering the national conditions of the developing countries. Concern is expressed about BWI loans and their use,

and the negative consequences that contribute to poverty and violence in developing countries. Human rights activist Munawar A. Halepota stated at the 49th session of the Sub-Commission on Prevention of Discrimination and Protection of Minorities:

I was rather surprised to learn that IMF does not concern itself with the internal policies of the country, specially with regard to the Human Rights situation before giving loans, which are mostly used to buy guns and other military equipment to subjugate the people, as in the case of Burma, China, Nigeria, Serbia, and not to mention Pakistan (Halepota 1997).

This situation has been one of the central arguments raised by the debt movements to challenge the debt of the South and call for cancellation. The perverted incentive system that rewards errors and negligence of the IFIs must be brought to an end, and these institutions must take financial accountability (Raffer 2004).<sup>2</sup>

Studies undertaken in Latin America concluded that one of the consequences of SAPs has been the marginalization of a majority of the population in the poorest countries; SAPs have also contributed to the increase of internal conflicts in some developing countries (ISCA 1992). From a Southern point of view, “the World Bank and IMF are facing a deepening crisis of legitimacy”, and their poverty reduction and “debt relief” programmes are mechanisms to obtain legitimacy without respecting anti-poverty and national development programmes (Jubilee South 2001). The conditionality requirements of the poverty reduction and debt relief programmes have been severely criticized. The lack of acceptance for the poverty initiatives of the multilateral financial organizations has led to a call to eliminate programmes such as the IMF’s Poverty Reduction and Growth Facility (African Social Forum 2004).

From a civil society perspective, the debt problem is situated in a broader national and international context: the context of domination of the North over the South. The debt leads, or serves, to impose economic policies in the South that contribute to or maintain poverty in developing countries. Even the IMF and World Bank Poverty Reduction Strategy Papers are considered the “latest version of structural adjustment”, and additional loans to tackle the HIV/AIDS problem are being rejected on the basis that they will lead to more indebtedness and domination (Jubilee South 2001).

There is a widespread perception that the measures proposed by the IMF, World Bank and creditor countries are designed to ensure repayment of the debt rather than a solution to the debt problem. SAPs “are merely techniques or ways of managing shortages with the declared purpose of bringing debt under control” without further consideration of the debtors’ situation (United Nations 1997:16). The debt and the debt servicing are considered mechanisms of coercion imposed by the North (Perez Esquivel 2002) “as an instrument for the continued plunder of the South” (Jubilee South Asia-Pacific 2001). The civil society perception is that Southern governments have been forced to accept a debt with questionable legitimacy and legality.

The increased debt stock and the underlying reasons behind this situation are central in the literature on the debt debate. Debt is perceived not only as an eternal problem, but also as a tribute that the South pays to the North, as it did during colonization. Instead of being reduced, debt is still increasing (Perez Esquivel 2002:219). “Nigeria, for example, borrowed \$5 billion, has paid back \$16 billion and still owes \$32 billion on the same debt” (*New York Times* 2004). Developing countries have to take on new debt to repay the initial debt stock. This pattern creates a vicious circle. All of these mechanisms and their consequences are characterized by some Southern debt movements as “economic terrorism and genocide on the peoples of the South” (Jubilee South Asia-Pacific 2001).

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<sup>2</sup> Also, some civil society organizations—such as the Comité pour l’Annulation de la Dette du Tiers Monde (CADTM) in Belgium—have worked on this; see “The World Bank held to account: using the law to bring about justice” by Eric Toussaint at [www.cadtm.org/article.php3?id\\_article=1138](http://www.cadtm.org/article.php3?id_article=1138), accessed in June 2006.

A further argument is that the financial dependency of many poor countries, as partially embodied in the debt problem, has developed into a hindrance for developing countries in formulating policies for democratic self-determination. In Acosta's (1999:43) view, the ultimate goal of the debt issue has always been the promotion of a subordinated insertion of the Latin American economies to the world market, which is expressed in the internationalization of capital markets.

It is, therefore, not surprising that voices from the global South accuse the North of recolonizing the South (Tandon 2001; see also Raffer and Singer 2004:54). Development politics and the policies of the BWIs are seen as the prime mechanisms in this process. Under the label of good governance, political conditionality is imposed on developing countries through a wide variety of programmes. Because of this, the initial economic SAPs, as well as the more recent forms of political SAPs, have been rigorously implemented by the South.

SAPs are considered one of the main reasons behind the current debt crisis and its outcomes. As mentioned above, in some parts of the world, debt existed well before SAPs. Falling terms of trade and hiking interest rates combined with the simultaneous dramatic decline in commodity prices provided the grounds, while the effects of SAPs aggravated the situation. SAPs are considered the main policy mechanisms through which the BWIs have exacerbated the debt situation. This wave began in Latin America and soon continued toward the sub-Saharan region. These experiences resulted in widespread dissatisfaction leading to what later became the articulation of an alternative vision: "to break the chains of debt", as expressed by the Jubilee 2000 campaign.

Nevertheless, not only the IMF, World Bank and creditor countries have been blamed for the debt problem: the debtors' responsibility has also been acknowledged. This responsibility is based on corruption, lack of investment in productive activities, investments in the purchase of arms, speculative sectors (ISCA 1992), inefficient use of financial resources and the incapacity of the debtor governments to suspend or renegotiate the debt service as a single group or to find a common alternative. In Acosta's (1999:30, 42) view, this situation reveals the historical complicity between debtors and creditors. Debt movements in the North and the South have come out against this association between small elites in the South—those who serve the interests of the Northern countries and organizations—and the IFIs and developed countries. The situation seems even more complex when governments of the South act to protect or "preserve the status quo in the interest of the minute ruling elites, the profits of transnational corporations" (Jubilee South Africa 2004). Based on this, proposals have emerged to create an arbitration tribunal that may help combat the corruption in both the North and the South which is contributing to the debt problem (Ugarteche 2000:80).

In Latin America, the Caribbean and Africa, research on the roots of the debt is still in progress. Indeed, in Latin America, Schatan (1998) argues, in-depth research about the causes, mechanisms and objectives of the indebtedness, and the superficial and corrupted use of the financial resources, has not been undertaken. Why did governments ask for so much money in such a short time? This question remains open (Schatan 1998:49). But it may explain why more recent audits have been proposed and demanded by some debt campaigners (Jubilee South 2004b; CETIM and CADTM 2006) to establish the responsibility of those involved in this indebtedness in order to avoid impunity, and to determine reparations. In Africa, audits would serve to "determine the full extent and real nature of Africa's illegitimate debt, the total payments made to date and the amount owed to Africa" (Jubilee South Africa 2004).

It is in this context that the rise of the debt problem led to the rise of the debt movements. The debt issue had been on the agenda of unions, human rights organizations, churches and NGOs working on debt even before the Jubilee 2000 campaign. In the 1980s, they were already denouncing the devastation caused by debt in Latin America; for instance, Ugarteche started his

study of the debt issue in the mid-1970s in Peru.<sup>3</sup> The debt movements arose out of the understanding that external debt was a problem for social and economic development in the countries of the South.

The movements against external debt took root when civil society realized that the debt burden was one of the reasons for the negative social consequences in the South. These consequences were seen as affecting labour rights, rights of children and democratization processes, among others. For instance, when labour unions realized that the debt burden affected labour rights, they started to discuss the debt issue, organizing conferences and calling for mass mobilizations.

Research clearly distinguishes between middle-income countries in Latin America where the debt is largely composed of private debts and, on the other hand, the African continent where the debts are mainly official loans (Birdsall et al. 2004:61). Among and within these groupings of “developing countries”, there are many different levels of indebtedness. There are the so-called Heavily Indebted Poor Countries (HIPC)<sup>4</sup> and those with a lesser level of indebtedness. In addition, there are different levels of social and economic development among developing countries. Even within a region, differences can be found between what could be called the most developed, the medium-sized economies and the less developed countries.

The distinctions mentioned above reveal that within the discussions on “what to do about the debt problem”, country-specific situations need to form the basis for tailored solutions. Despite the obvious individual settings at the country level, and of course at the continental level, the debt movements have been particularly successful in finding common themes; these were particularly strong in the latter part of the 1990s. But have the arguments and articulations of both movements and civil society organizations working on the debt evolved, and if so, what have they evolved into?

## **2. Arguments Used by the Debt Movements**

Civil society organizations have developed a multitude of arguments ranging from legal, economic, moral, historical, social, ecological and human rights to global democratic approaches and have used this myriad in the lively debate on the debt issue. Thus, the debts of the governments of the South are equally related to the ecological, social, moral and historical debt of the North. These debts of the North toward the South have been considered sufficient reason to require the cancellation of the debt of the South as an act of justice. The debt is seen as an instrument of structural injustice. The broad notions of justice, equity and fairness are at the core of the debt campaign. Mochrie (2003) argues that there is no prevalence between economic and theological approaches to debt cancellation. This means that whereas “the theological approach” focuses on the analysis of the debt problem in the light of justice and moral issues, “the economic analysis” is more technical and precise in its nature. In other words, legal, moral, historical, social, ecological, human rights or global democratic arguments cannot be ranked against each other.

We have further divided these groups into 11 arguments, and list them as they appear in documents emerging from civil society.

- *Debt and the right to life.* After making an assessment on the economic and social effects caused by the debt in developing countries – mainly in education, health, poverty and development – civil society organizations have demanded an urgent solution to the debt problem. The debt issue is clearly seen as a human problem: the right to life of human beings in the South is being negatively affected by the

<sup>3</sup> Personal communication with Oscar Ugarteche, and Katarina Sehm Patomäki and Yovana Reyes Tagle on 19 November 2004, Helsinki, Finland.

<sup>4</sup> HIPC is a term introduced by the World Bank.

obligation to pay the debt. The increased rate of mortality, especially affecting women and children as a consequence of the reduction of social expenses in order to service the debt, has been raised as a critical argument regarding how the debt issue has been handled (Béjar 1999:54). From a civil society standpoint, debt payments translate into a prohibition to live, and thus external debt is internal death (Casaldáliga 2000:81).

- *Debt and the right to development.* The debt of the South has been perceived as an obstacle to social and economic development, and as a factor that has increased poverty. Within the debt movement, in particular, churches have stressed the right to just and human development. States cannot invest their financial resources in developmental purposes, owing to their debt-servicing obligation. Even when developing countries take on new loans from the developed world to attain their development objectives, the resources cannot be used for such purposes (Toussaint 1999; United Nations 2004).
- *Debt and democracy.* It has been stressed that governments have been forced to overlook the needs of their peoples. This lack of respect for human rights has weakened the relations between governments and their peoples and, therefore weakened democracy, and has led in some countries to dictatorships. There is a causal relationship between external debt, the weakness of democracy and the establishment of dictatorships (Béjar 1999:54). The role of the state has been diminished, and this has led to a lack of commitment to fulfil the internal social debt. This unpaid internal social debt has led to increased violence and internal conflicts in some developing countries. A study undertaken by the International Save the Children Alliance (ISCA) in the early 1990s shows how an increase in poverty in five Latin American countries contributed to an increase in violence (ISCA 1992). Therefore, a solution to the debt problem has been a requirement for democratic stability (Mujica 1988:30).

There is a contradiction between, on the one hand, the rhetorical defence of democracy in the world and the struggle against those means that may be an obstacle to its consolidation and, on the other hand, the maintenance of the debt service in poor countries that are working to consolidate their democracies.

- *Debt as a mechanism of recolonization or “the historical argument”.* Practices developed since the landing of the Spaniards in the Americas have been put forward as an argument in the debt debate. In an attempt to find a solution to the debt problem of the South, historical arguments have also been raised to suggest the existence of a moral, historical and human debt of the North. According to Osorio Zamalloa (1987:122–124), the historic “looting” of the South by the North since colonization constitutes in itself a basis for not paying the debt, and this historical fact demonstrates that the debt of the South has already been paid (see also Martinez 2002:110).

After an evaluation of the negative economic, cultural and social effects of colonization of the North by the South, it has been stated that it is the North that owes a great debt to the South, and not the other way around. Unlike the South-North debt, the North-South debt seems to be impossible to calculate, for instance, owing to the lack of parameters to measure the loss of human beings during colonization and slavery periods. The exploitation both of the population and the natural resources of the South to enrich the North is an indication of the historical, unfair and unequal North-South relations (Martinez 2002). Building on the legitimacy crises of North-South relations in today’s global system, Tandon (2001:235) proposed setting up a North-South Truth Commission in 2001. This initiative has sparked many questions such as who would initiate the commission and what would be its mandate, mission, structure, objective and methodology of the commission.

Debt is seen as the expression and proof of the existence of an unfair international economic order (Gavagnin 1986:52). External debt has also been seen as part of a broader process of European influence in Latin America and other regions of the

world such as North Africa. There are examples that show that loans were granted before direct colonial intervention, as in the case of Morocco, or debts were part of a strategy of recolonization, as in Latin America (Acosta 1999:33). In other words, the Northern strategy of recolonization may explain part of the indebtedness of the South. The debt “has facilitated a transition from public to private colonization, virtually a return to slavery” (United Nations 2004).

The need to change political and economic relations forms one part of the North-South debate in the debt campaigns. Much of the literature on the debt of the Third World starts from the premise that assumes that economic relations between the North and the South should be shifted. A new economic order is needed as well as new institutions.<sup>5</sup> From the perspective of Jubilee South, “another world is possible”, and reform – or the dismantling – of the BWIs are demanded: “50 years is enough”. However, the cancellation of the debt will not be sufficient (Toussaint and Zacharie 2003:209) and “relief in itself will not affect poverty...It is the funds associated with debt relief that can reduce poverty” (Morrissey 2002:1).

Who owes whom? Or, as Jubilee USA (no date) put it, “who truly are the debtors and who the creditors”? This is a common theme continually discussed by debt campaigners in the North and the South. Generally speaking, the campaigners seem to agree that the North owes the peoples of the South.

Thus, the accumulation of debts of the North toward the South rooted in history seems to be part of the argument calling for an urgent solution, and the cancellation of debt. From a Southern perspective, not only is debt cancellation needed, but also payment, restitution, reparation and compensation for the social, historical and ecological debts of the North toward the South (Jubilee South/Americas 2004). Jubilee South, in particular, has defended this position. In Africa, debt movements have not only been calling for debt cancellation, but also reparations to Africa for slavery, colonialism and neoliberalism. The African reparation claims were first debated in the New International Economic Order in 1974 and have resurfaced in the context of debt campaigning, especially since the 1990s. The battle against apartheid in South Africa has included the “burden of illegitimate debts” (Jubilee South Africa 2004). Jubilee South Africa, in particular, has been working on the apartheid debt and reparations campaign. The demand for reparation is also growing in Latin America, the Caribbean and other countries in Africa.

In this sense, the movements in the South, in particular, have been working in favour of the restitution, reparation and compensation of the North toward the South.

- *Debt and the violation of human rights.* The debt problem has been perceived as a problem of life and death, and related to the violation of human rights, marginalization, exclusion and the imposition of neoliberal policies that have led to a situation of unemployment and poverty (Perez Esquivel 2002:217).

In 1997, El Hadji Guissé, special rapporteur to the United Nations (UN), elaborated on the UN report on the question of the impunity of perpetrators of human rights violations (United Nations 1997). This report was approved by the Sub-Commission on Prevention of Discrimination and Protection of Minorities in August 1997. The debts of the South along with SAPs are considered to be among the current practices that form sources of violations of economic, social and cultural rights, the right to development and the right to a healthy environment. The report drew attention to the fact that “debt and debt-servicing are steadily impoverishing the peoples concerned more and more every day, systematically preventing them from exercising their basic rights” (United Nations 1997:14). In addition, “debt which increases as it is repaid becomes a further bond of dependency” (p. 15) and “because of the role it plays today, debt is a formidable

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<sup>5</sup> See Schatan (1998:10); Iguíñiz (1995:54); Mujica (1988:29); Gavagnin (1986:83); see also Patomäki and Teivainen (2004); Raffer and Singer (2004).



instrument for domination which the transnational corporations wield effectively against the developing countries” (p. 16). The report concludes:

All the evidence suggests that perpetuating the debt of the developing countries is the result of a deliberate political decision designed solely to frustrate any attempt by the developing countries and their peoples to achieve economic and social progress (p. 15).

More recently, the linkages between debt and violation of human rights are addressed in consideration of the debt as “a serious impediment to the realization of all human rights” (United Nations 2004).

The human rights approach has been stressed by debt campaigners of both South and North, and has become a frequently used argument by the debt movement. This argument is also stressed in the literature about the debt problem.

In this sense, the debt campaigners have to some extent revealed the contradictory positions of the developed countries. On the one hand, these countries attempt to defend the protection of human rights in the world but, on the other hand, they are simultaneously forcing developing countries to pay a debt that causes the violation of those rights (Béjar 1999:49).

The instrumentalist approach to the debt problem has been strongly criticized by the debt campaign, especially by the church (Iguíñiz 1995:53). From this perspective, the debt problem may show the lack of humanization of economics; human beings are seen as instruments, and human needs are overlooked in favour of new idols such as globalization and free market ideology. Human dignity and economic demands may be interlinked in order to avoid that human beings live to serve the debt without satisfying their basic needs (Aguer 2000:36). In other words, the global debt movements have been stressing that beneath the debt burden and the obligation to pay, there is human suffering, where human beings are born, live and die serving the debt. This is seen as the destiny of all the poor of the Third World (Casaldáliga 2000:81). In response to this situation, Southern debt movements call for an “economic vision that is based on human values” (Jubilee South Asia-Pacific 2001).

- *Debt and ecological debt.* The notion of ecological debt is being defended and extended. By “ecological debt”, civil society organizations and social movements mean the burden on the ecological system caused by human consumption patterns. Debt campaigners are working toward the recognition of the ecological debt of the North toward the South and the reduction of such debt for the future.<sup>6</sup> Movements from the South have expressed their position toward obtaining reparations from the North for the damage caused to the environment of the South, and also the misappropriation of natural resources from the colonial period until now (Jubilee South/ Americas 2004). Efforts are being made among civil society organizations and social movements—including more than just debt campaigners or movements—to work on the awareness of the importance of reducing the ecological debt, in particular, among those who hold more responsibility in creating the ecological debt, namely developed countries’ citizens, owing to their consumption habits (Fresnillo 2004:8).

Judging from the topics of self-formed events within the WSF process,<sup>7</sup> it seems that ecological debt is among the prime arguments presently used within debt movements. Often, ecological debt is linked to “illegitimate debt”. More recently, debt campaigners are deliberating with more emphasis on the illegitimacy of the South’s debt to the North, the ecological debt and the basis for reparations.

<sup>6</sup> See, for instance, the topics and themes of the self-organized activities of the social forums around the world; contemporary links are available at [www.worldsocialforum.org](http://www.worldsocialforum.org).

<sup>7</sup> These topics can be found on the WSF Web site at [www.worldsocialforum.org](http://www.worldsocialforum.org). In order to facilitate “agglutination” (joining) of events, organizations register the topics and aims of their events well ahead of the beginning of the actual WSF. Looking at the number of self-formed events at the WSF VI in Bamako, Mali, the debt problem emerged among the prime concerns of the participants.

- *A resolution to the debt problem as an obligation of the North to meet the rights of the South.* Although solidarity and cooperation of the North have been called for, the debt campaign advocates the cancellation of the debt not as an act of mercy of the North, but as a right of the South. Out of respect for the dignity of the population of the South, it should be understood that what they claim is the recognition of a right, not charity (Perez Esquivel 2002:220). While there are those who stress the need for debt cancellation based on the poverty of the South, movements of the South claim debt cancellation based on the illegality and illegitimacy of debt itself.

Debt cancellation can thus be seen as a question of justice. In this sense, the notions of debt relief and debt cancellation have different connotations. In particular, Southern debt movements tend to avoid using the terminology of the Northern financial organizations and rich countries. While the IFIs talk about “debt relief”, many debt campaigners prefer to talk about “debt cancellation”. Why?

[M]embers of the Jubilee 2000 Coalition have argued that even ‘relief’ has moral connotations inappropriate to the situation facing many countries. They find it condescending to suggest that rich countries should claim to be lifting a burden from the shoulders of poor ones that could not otherwise be shifted (Mochrie 2003:3).

Jubilee South has clearly stated that the South does not demand relief, but restitution and reparation. They reject “debt relief” in whatever form or nature it might be (South-South Summit Declaration 1999).

This situation reveals the tensions even between debt campaigners in the North and the South since the latter dislike the idea that debt cancellation can only be considered as a means to satisfy the basic needs of the population of poor countries. Expressed in another way, there is an important difference between “charity” and “justice”.

In other words, debt cancellation may be seen as a right of the peoples of the South, and it is in this direction that the debt movement can orient itself to build consistent legal and economic arguments. More recently, there is political momentum that may favour such recognition of rights. Some governments of the North are recognizing the obligation to find a solution to the debt problem for poor countries. In September 2004, during the World Summit against Hunger, Spanish president Jose Luis Rodriguez Zapatero acknowledged the need to tackle the poverty problem as a deep and historical obligation.

- *In search of shared responsibility for odious or illegitimate debt.* Debt is the responsibility not only of the debtors, but also of the creditors (Gavagnin 1986:99). There is a difference between the responsibility for the origin and effects of external debt, and the responsibility of everybody to solve the problem, especially among those who have economic and political power (Iguíñiz 1995:43). Shared responsibility between the North and the South for these so-called odious debts, “those contracted against the interests of the population of a state, without its consent and with the full awareness of the creditor” has been proposed (KAİROS 2002). Illegitimate debts, or debts taken on by dictatorships in developing countries for the repression of their population, are being questioned. From the debt campaigners’ perspective, the justification of the illegitimacy of debt seems to be crucial in launching an intellectual and social movement to create new economic and political relations between the North and the South, a relationship characterized by historical Northern domination (Martinez 2002:111). However, from a legal and technical point of view, what should be understood by “illegitimate debt”? Despite some efforts to determine the scope of illegitimate debt (Hanlon 2002), the clarification and definition of illegitimate debt seems to be an issue for some of the debt campaigners. There are, for instance, statements from civil society organizations on most continents where the organizations have clearly distinguished between “illegitimate” and “odious” debts.<sup>8</sup>

<sup>8</sup> For instance, EURODAD distinguished between illegal, odious, illegitimate and ecological debt, see more at [www.eurodad.org/articles/default.aspx?id=737](http://www.eurodad.org/articles/default.aspx?id=737), accessed in January 2007.

- *Debt and social problems.* There is a further argument: the economic crisis facing developing countries owing to, among other reasons, SAPs and the debt burden, has led to a loosening of human values, deterioration of families, violence, unemployment, malnutrition, social insecurity and criminality. The debt burden is not the only reason for these problems, but it has contributed to the deterioration of the social situation (ISCA 1992). In some cases, the debt service accounts for as much as 50 per cent of the national budget of the state (Acosta 1999:46).
- *External debt and the internal social debt.* A related observation is that the internal social debt of states toward their peoples is still unpaid, and one of the reasons is that external debt impedes the governments from paying the internal social debt. Unlike external debt, which is a debt of the rich, the internal social debt, which is a debt of the poor, is urgent. The internal social debt has two characteristics: those obligations that states omit from policies and social services, and the damage caused by SAPs. Priority is given to the payment of the external debt rather than the internal social debt (Béjar 1999:49, 52, 53).

The increase of the external debt has increased internal social debt; owing to their debt, Southern countries are unable to respond to the needs of their peoples (United Nations 2004). The debt impedes the fulfilment of the task of the governments to ensure sustainable life of dignity for all their people. This position has led to the demand for repudiation of the debt by Northern (for instance, Jubilee USA Network 2004) and Southern debt campaigns. Jubilee South has been strong in demanding a collective repudiation of the debt by the Southern governments. However, debt repudiation may have some disadvantages, which may include “the possibility of retaliation from commercial banks, creditor governments and multilateral lending institutions, and the possibility of jeopardizing relations with rich countries” (Colgan 2001).

- *Debt and the moral arguments.* The debt of the South toward the North has been considered morally unacceptable and economically impossible. Debt repayments embrace great parts of the budgets of poor countries. Financial resources aimed at improving education, health services and food security are cut, in order to serve the debt. Citizens of poor nations are forced to pay a debt that leads them to a situation of unfair and inhuman poverty (Hernandez Pedraza 2002:27); “today, Sub-Saharan Africa pays \$1.30 in debt service for every dollar it gets in aid, four times what it spends on health care” (*New York Times* 2004). The unilateral increase in interest rates and usury are morally unacceptable (Osorio Zamalloa 1987:125).

The developing countries’ debt is partly the result of the unjust transfer to them of the debts of the colonizing States onto the developing countries imposed on the newly independent States when they acceded to international sovereignty: in 1960, the external public debt of these countries already amounted to US\$ 59 billion. With the additional strain of an interest rate unilaterally set at 14 per cent, this debt increased rapidly... This debt, which stood at US\$ 59 billion in 1959, was assigned an interest rate of 14 per cent, set unilaterally by the international financial institutions for the benefit, needless to say, of those who held the purse-strings, who were also the colonial powers. Many considered this rate usurious (United Nations 2004).

Civil society’s message seems clear: it is not possible to repay a debt that causes increased poverty in poor countries in which the populations’ basic needs cannot be satisfied, and where social and economic development in such conditions is uncertain.

### **3. The Debt Issue on the Official Political Agenda of the North and the South**

Despite the Jubilee 2000 International Debt campaign, whose main objective was to cancel the debt of developing countries, the debt problem of developing countries still prevails. For instance, on the African continent today, many leaders (BBC 2005) call for “the rich countries to cancel all of Africa’s debts”. To date, debt relief programmes or other initiatives have not successfully decreased the absolute or relative debt burden of developing countries. Among these initiatives are the Clubs of Paris and London, the Brady and Baker plans, the Plaza and Louvre accords, SAPs, the Poverty Reduction Strategy Papers (PRSPs),<sup>9</sup> the 1999 Cologne Terms, the Toronto Terms, the Mauritius mandate, the HIPC<sup>10</sup> Initiative and various statements of governments and international groups to give debt relief or cancel indebted poor countries debts. The Paris Club was one of the first forums for discussion of debt rescheduling.

A common feature of these initiatives is that they are controlled by the creditors. For instance, the Web site of the Paris Club presents its activities as follows:

*The Paris Club is an informal group of official creditors whose role is to find co-ordinated sustainable solutions to the payment difficulties experienced by debtor nations (emphasis added). Paris Club creditors agree in changing the profile of payments on debts due to them. The Paris Club has remained strictly informal. It can be described as a ‘non institution’. The first meeting with a debtor country was in 1956 when Argentina agreed to meet its public creditors in Paris.<sup>11</sup>*

Much of the official debt—mostly African debt—is owed to the IFIs. This is combined with the fact that the IFIs control many of the debt relief initiatives—for example, the HIPC and PRSPs—which in turn is perceived as problematic and unjust by the indebted countries. The developing countries feel that the debt was initially accumulated under unfair circumstances.

The official management of debt was based on the so called “illiquidity theory”, and defended by then US Treasury Secretary James Baker, among others. This theory implies that there was no fundamental debt crisis as such, but rather a temporary crisis of illiquidity of indebted countries. Baker rejected any general solutions to debt problems for indebted countries and instead aimed at dealing with the debt situation on a case by case basis. Eventually, however, a group of heavily indebted countries, or “Baker Countries”, were identified. This group clearly reflected US economic and political interests (Raffer and Singer 2004:166–167).

The Brady Plan serves as a milestone since it was the first initiative that recognized debt relief as opposed to debt rescheduling. The Brady Plan was presented on 10 March 1989, following violent riots in Venezuela, and picked up on ideas presented a few months earlier by the Japanese Minister of Finance Miyazawa Kiichi. The Brady Plan soon proved important. According to Raffer and Singer’s (2004:171) analysis, “by recognizing the necessity of debt reduction, not only for the poorest countries, Brady’s initiative was the first, important step toward a viable solution for the debt problem”.

Earlier on, the Venice Terms of the Paris Club had insisted on full repayment in 1987, but stretched maturities for poor debtors. However, at the Toronto Summit, the United Kingdom’s (UK) proposal to reduce debt was accepted, and the Toronto Terms involved debt reduction of some official debts owed by poor countries (Raffer and Singer 2004:171).

<sup>9</sup> <http://poverty.worldbank.org/prsp/>, accessed in January 2005; <http://extsrchbox.worldbank.org/search?q=cache,> accessed in January 2005; [http://poverty.worldbank.org/prsp/+prsp&site=wb\\_external&output=xml\\_no\\_dtd&client=wb\\_external&proxystylesheet=wb\\_external,](http://poverty.worldbank.org/prsp/+prsp&site=wb_external&output=xml_no_dtd&client=wb_external&proxystylesheet=wb_external,) accessed in January 2005.

<sup>10</sup> [http://siteresources.worldbank.org/NEWS/Resources/HIPC\\_glance.pdf](http://siteresources.worldbank.org/NEWS/Resources/HIPC_glance.pdf), accessed in January 2005; <http://extsrchbox.worldbank.org/search?q=cache,> accessed in January 2005; [http://siteresources.worldbank.org/NEWS/Resources/HIPC\\_glance.pdf+hipc&site=wb\\_external&output=xml\\_no\\_dtd&client=wb\\_external&proxystylesheet=wb\\_external,](http://siteresources.worldbank.org/NEWS/Resources/HIPC_glance.pdf+hipc&site=wb_external&output=xml_no_dtd&client=wb_external&proxystylesheet=wb_external,) accessed in January 2005.

<sup>11</sup> [www.clubdeparis.org](http://www.clubdeparis.org), accessed in January 2005.

The G7/G8 (Group of Seven/Group of Eight) meeting in Cologne in 2000 eventually led to HIPC II. However, according to Jeffery Sachs et al. (1999), while the new initiative presented at Cologne aimed at more “ambitious” debt reduction targets than HIPC I, the basic problems remained in that the new standards were as arbitrary as the old ones. Both initiatives focused mainly on the relationship between debts to exports, even though debt-to-export ratios have little if anything to do with the real ability of governments to meet urgent social needs while servicing debts.

Another interesting initiative is the Sovereign Debt Restructure Mechanism (SDRM) developed at the IMF in 2002 (Krueger 2002).<sup>12</sup> There are some expectations that this initiative will be revived again. The idea of a SDRM may have been inspired by civil society calls for debt arbitration. However, in contrast to the civil society debt arbitration proposals, the SDRM makes the IMF a “preferred creditor”. This means that IMF claims could not be brought before the SDRM mechanism. In line with other initiatives, the SDRM is another mechanism controlled by the creditors, but in this case extends this line of practice so that IMF debts would not be completely omitted from the process.

Today, the active mechanisms and programmes mainly discussed within civil society are the HIPC, PRSPs and multilateral promises of governments to cancel debt.

In 1995, the G8 recognized at its meeting in Halifax that the Paris Club’s rescheduling was not enough. Despite rescheduling, debts kept growing and, on top of this, most debts were now owed to the BWIs. The G8 started to fear a repetition of the debt crisis of the 1980s and demanded that the BWIs look for a new, suitable framework to address the debt problem. In 1996, Cardinal Basil Hume, active in the Jubilee 2000 campaign, met with the head of the IMF, Michael Camdessus; consequently, in October 1996, the HIPC Initiative was launched (Hertz 2004:125).

According to the IMF (2005), HIPC “is a comprehensive approach to debt reduction for heavily indebted poor countries pursuing IMF- and World Bank-supported adjustment and reform programs”. The HIPC Initiative was launched jointly by the IMF and the World Bank with the aim of “ensuring that no poor country faces a debt burden it cannot manage” (IMF 2005). The HIPC Initiative “entails coordinated action by the international financial community, including multilateral organizations and governments, to reduce to sustainable levels the external debt burdens of the most heavily indebted poor countries” (IMF 2005).

The enhanced HIPC introduced in September 1999, or HIPC II, was developed in response to considerable pressure from the Jubilee movement, particularly during the G8 shadow meeting in May 1998 in Birmingham. In HIPC II,

a number of modifications were approved to provide faster, deeper and broader debt relief and to strengthen the links between debt relief, poverty reduction and social policies. Countries’ continued efforts toward macro-economic adjustment and structural and social policy reforms—including higher spending on social sector programs like basic health and education—are now central to the enhanced HIPC Initiative (IMF 2005).

However, from the civil society perspective, this HIPC Initiative has failed, or has not produced the expected relief for poor countries (Fresnillo 2004:4). Some measures to reform HIPC conditionality were proposed in order to

promote and support pro-poor policies. ... Conditions should be part of a negotiating incentive strategy rather than as a coercive punishment strategy, and used to encourage rather than force policy reform (Morrissey 2002:15).

<sup>12</sup> See also the fact sheet, *Proposals for Sovereign Debt Restructuring Mechanism (SDRM)* at [www.imf.org/external/np/exr/facts/sdrm.htm](http://www.imf.org/external/np/exr/facts/sdrm.htm), accessed in January 2005.

As director of the International South Group Network, a founding member of Jubilee South, Tandon (2000) lists three reasons why civil society should reject HIPC: (i) the economic and political conditionality built into the programme; (ii) HIPC's priority to attract foreign capital instead of prioritizing economic growth; and (iii) the fact that HIPC II has not addressed the serious problems of the original HIPC, and it still does not address poverty in the countries involved. In addition to the problematic conditionality issues, Theunissen and Akkerman (2004:129) point out that "donors continue to extend large amounts of loans, thereby perpetuate debt problems".

SAPs received a lot of criticism from civil society, and have now been replaced with the PRSPs. A discussion on how PRSPs differ from SAPs between an IMF representative and Oliver Saasa of the Institute for Economic and Social Research was recorded in the Report of the International Conference on Poverty Reduction Strategy in Africa (Southern African Regional Poverty Network 2002). In September 1999, the IMF replaced its Enhanced Structural Adjustment Facility with the Poverty Reduction Growth Facility. Saasa commented on the IMF position by referring to PRSP sceptics, arguing that the PRSP paradigm, in fact, reinforces conditionality and constitutes a new subtle mechanism to delay debt cancellation/reduction.

In recent years, countries have regularly spoken out in favour of cancelling the debts of poor countries, or most of them. The United Kingdom has been particularly active in suggesting cancellation of debts by the G8; for example, the British Chancellor of the Exchequer Gordon Brown put forward a proposal in early February 2005, prior to the G8 meeting in the United Kingdom. However, these promises have yet to materialize. In 2005, the G8, at their meeting in Gleneagles, Scotland, picked up on Brown's proposal by promising important debt relief once again. There was massive civil society mobilization in Gleneagles, and at simultaneous mega concerts. Two of the organizers, the partially overlapping UK coalitions, Make Poverty History<sup>13</sup> with their White Band bracelet campaign and the Stamp Out Poverty<sup>14</sup> campaign, emerged as the most prominent. Stamp Out Poverty, initially created around taxation issues, assembled more than 50 UK charities, faith groups and trade unions. In 2005, the political promises were formed the basis of the Multilateral Debt Relief Initiative (MDRI).<sup>15</sup> But is this yet another acronym that reinforces the rules of the SAPs, HIPCs and PRSPs? Or is the debt burden actually going to be lifted? Eurodad was unconvinced that this would happen and said that "the most striking result of this first ex-ante analysis seems to point to the fact that within a few years this group of countries will end up with debt levels very near the pre-MDRI trajectories" (Eurodad 2006:1).

In summary, the main reasons put forward by Southern debt movements and organizations to oppose the IMF and World Bank debt relief initiatives have been:<sup>16</sup>

- IMF and World Bank have conditionality attached to those initiatives;
- the initiatives have been seen as economic intervention by the IMF and World Bank in the countries of the South;
- the initiatives are considered as means of legitimizing the external debt, which the debt movements (such as the Jubilee South) consider illegitimate;
- HIPC does not entail full multilateral debt cancellation;
- initiatives such as HIPC are aimed at a limited number of countries, and not all poor countries; and

<sup>13</sup> [www.makepovertyhistory.org](http://www.makepovertyhistory.org), accessed in January 2005.

<sup>14</sup> [www.stampoutpoverty.org/](http://www.stampoutpoverty.org/), accessed in January 2005; see also [www.developments.org.uk/data/issue30/stamp.htm](http://www.developments.org.uk/data/issue30/stamp.htm), accessed in January 2005.

<sup>15</sup> See the *Multilateral Debt Relief Initiative (MDRI)*, Factsheet, November 2006, at [www.imf.org/external/np/exr/facts/mdri.htm](http://www.imf.org/external/np/exr/facts/mdri.htm), accessed in January 2007.

<sup>16</sup> See African Social Forum (2004); Jubilee South (2001); Jubilee South Asia-Pacific (2001); KAIROS (2004); South-South Summit (1999).

- the HIPC Initiative has led to the increase of debt servicing instead of granting “debt relief”.

On these grounds, some Southern debt campaigners have proposed the elimination of initiatives such as the IMF’s Poverty Reduction and Growth Facility, the Enhanced HIPC and buy-debt programmes.

In autumn 2006, debt campaigners were encouraged to hear that the Norwegian government was going to unilaterally cancel 520 million Norwegian krone<sup>17</sup> of official debt from Ecuador, Egypt, Jamaica, Peru and Sierra Leone. In a press release, the Foreign Ministry said that the decision was a result of the claims originating from the Norwegian Ship Export Campaign (1976–1980) (Foreign Ministry of Norway 2006). Apart from the inspiration this provided to the debt activists, the Norwegian decision reactivated discussions on precedents for creating international law, a space where creditors and debtors now operate in a legal vacuum.

### ***The debt problem as public opinion***

Speaking of the debt issue awakens taboos, but for whom? In some countries of the South, speaking of the debt problem is still a taboo, comparable to discussions about poverty or hunger (Perez Esquivel 2002:216). Protesting against debt may be seen as a political ingenuity and economic irresponsibility (Casaldáliga 2000:81),<sup>18</sup> and after the application of economic debt relief plans to service the debt such as the Brady Plan, the debt issue was considered finished and something that should not be spoken about (Béjar 1999:49). At the beginning of the 1990s, some creditor governments, and a portion of international public opinion, held that the external debt problem was already solved. However, the attention given to the debt problem at the XI European-Latin America Inter-Parliament Conference, held in 1993 in São Paulo, led to the approval of a proposal to ask the International Court of Justice at The Hague for a statement to determine the legal and ethical aspects of the international loans. This showed an interest in the debt problem, contrary to those who believed that the debt problem had been dealt with (Schipani 1995:272).

All this may suggest that public opinion is not part of the official debt debate. However, according to the Jubilee Debt Campaign et al. (2003:5) report, written five years after the Birmingham Human Chain, “public opinion is still supportive of an end to Third World debt”. The debt issue is still alive on the political agenda, owing to the pressure raised by the debt movements.

In this sense, there is evidence of a need for more intensive and sensitive participation of civil society with a view to influencing not only the creditor countries and the IFIs, but also the debtor countries.

One of the successful results of the Jubilee 2000 International Debt campaign was not only to get the debt problem on the political agenda, but also to bring together groups from the South and the North to work for a common goal. However, evidence may suggest that the incorporation of the debt issue on the political agenda, and, the consequent economic and legal measures implemented to tackle or alleviate the debt burden, do not necessarily resolve the debt problem. As it has been recognized by the Jubilee South movement, for instance, the debt relief programmes implemented by creditors, partly as a consequence of the pressure exercised by debt campaigns and public opinion, are aimed at guaranteeing repayment and new loans. The benefits of such schemes seemed to be elusive to the South.<sup>19</sup> Various initiatives that aim at making the IFIs preferred creditors, such as the IMF’s SRDM, release the IFIs’ burden of responsibility (Raffer and Singer 2004).

<sup>17</sup> 1 US dollar = 6.5 Norwegian krone, approximately (January 2007).

<sup>18</sup> This text was written during the preparation process of the debt referendum in Brazil coinciding with Jubilee 2000.

<sup>19</sup> See, for instance, *End 60 Years of Destruction: IMF-World Bank Out Now!* on the Web site of Jubilee South at [www.jubileesouth.org/upload1/enddestruction.html](http://www.jubileesouth.org/upload1/enddestruction.html), accessed in January 2005.

## **4. Structures of the Movements**

In the case of debt, as in so many other cases, the South is not where the power lies. Creditors are not obliged to listen to the pleas of their faraway victims, no matter how loudly they cry or how just their cause (George 2004:196). The debt movement provides a textbook case of mutually enforcing cooperation between civil society organizations in the North and in the South. This North-South dialogue is concretized, so that while almost all organizations and movements conduct educational work such as spreading information on what the debt problem is and putting political pressure on their governments, the Northern organizations, which primarily lobby the creditor governments, depend heavily on credible information from the South, for example, in the form of testimonies.

If measured by visibility in the North, the Jubilee 2000 campaign came to serve as a flagship for debt campaigners. To some extent, the campaign could also be called a movement building “upon decades of work by others” (Dawkins 2003:103). The Jubilee 2000 campaign provides a prime example for reflection on the relationship between knowledge and political action, demonstrating the need for mass dissemination of usable knowledge. It also reached far beyond the traditional Left (George 2004:193). The Jubilee 2000 campaign has been considered a global mass movement, which deals not only with the debt problem, but also with the question of justice and public responsibility. From its inauspicious beginnings at Keele University in central England (UNDP 2002:102) it evolved into a broad-based alliance in just a few years—the Jubilee Coalition—which counted churches, the Mothers’ Union, the British Medical Association, trade unions and aid agencies among its members (Hertz 2004:4). A significant building block came one year into the campaign when the International Confederation of Free Trade Unions—representing 137 countries and 124 million workers—endorsed the Jubilee 2000 charter (UNDP 2002:102). All in all, this international movement involved 122 organizations, 50 countries and people from all over the world, and in different social and economic conditions (Hernandez Pedraza 2002:44).

According to Kalima (2002:181), the idea of a Jubilee 2000 campaign in Zambia was born in 1996. The main goal of the campaign was that various lobby groups could work for complete debt cancellation in poor countries, including Zambia, where the campaign was a natural continuation of the work previously conducted by groups worried about the damaging effects of debt. This work can be traced back to 1987 when three churches—the Evangelical Fellowship of Zambia, Zambia Episcopal Conference and Christian Council of Zambia—issued a pastoral letter expressing their concern for the economic situation that had arisen in the country as a result of the economic policies that had been implemented. This group quickly expanded to include several other groups such as labour unions, student associations, women’s organizations and other groups within civil society. The Jubilee movement gets its name from the Bible, which calls for the cancellation of debts during the Jubilee years that occur every 50 years (Leviticus 25:8–13).

As indicated in the birth of the Jubilee 2000 movement in Zambia, the successful involvement of people from a wide political spectrum was by and large a result of the active involvement of the churches in the Jubilee 2000 campaign throughout the world. Campaigners celebrated the success of their campaigns when the G7 included the issue of the debt problem on its agenda (in 1998 and 1999), promising large sums in debt relief. However, at the end of the day, little debt was actually cancelled and, to date, debt relief programmes have covered only a fraction of the debt burden. For instance, the debtor was not paying interest on or “servicing” much of the cancelled debt anyway: “if a country owed, say, \$10 billion, but could only scrape together the interest payments due on \$5 billion, it does not much matter if a part of the other \$5 billion is cancelled or not because the actual outlays in interest payments will stay the same” (George 2004:194). Political action—as in mass mobilizations around the debt issue—slowed down when promises of debt relief/debt cancellation were made. The campaigners did not maintain pressure on governments to fulfil their promises. This pattern was repeated again in summer



2005, following the G8 announcement to cancel debts. Little pressure has come from civil society quarters to see that the relief is carried out.

The slogan of the Jubilee 2000 campaign, “break the chains of debt”, developed into a popular phrase for the movements. However, the debt problem is complex and includes many particular situations based on, for instance, how the different debts were generated and by whom, under what circumstances and how the debts have affected the debtor society. Also, as the debt issue cannot be separated from issues of trade, financial flows and overseas development assistance, and taxation, campaigners are not always equipped with the necessary resources, such as time and money, to profoundly study the issue.

The Jubilee 2000 movement was carried forward by the churches; however, as presumed by its name, Jubilee 2000 as a movement shrunk both in size and in action following the year 2000. The networks and organizations also suffered from unresolved contradictory points of view regarding required action on the debt front. For instance, some groups—most Southern movements and some Northern civil society organizations—spoke of immediate debt cancellation, based on the debt problem having laid an unfair and extremely heavy burden on debtor countries. Others—mostly Northern civil society organizations—spoke in support of the proposals of professors Kunibert Raffer, Jeffery Sachs and Oscar Ugarteche on debt arbitration and how indebted countries should declare themselves insolvent in order to qualify for “a fair, international insolvency procedure for sovereign states” (Pettifor 2001).

This led, among other things, to the founding of Jubilee South, a more radical offspring of the Jubilee 2000 campaign. Some Southern organizations working to build up Southern cooperation, or solidarity on debt, gathered in 1999 in Gauteng, South Africa, for the so-called South-South Summit on Debt, which was the basis for Jubilee South. Why did this South-South Summit take place? According to the Freedom from Debt Coalition (2006), the summit was “an effort to assert a South peoples’ perspective on the global debt cancellation campaign”, in the midst of a broad North-defined and North-led Jubilee 2000 debt campaign.

Jubilee South aimed to build and develop an International South movement on debt and, contrary to the Jubilee 2000 campaign that ended in 2000, Jubilee South is still active and is present in, for instance, Buenos Aires, Argentina, and Johannesburg, South Africa.

Despite the high expectations, the outcome promised by the Jubilee campaign never happened (Hertz 2004:135). George (2004:193) captures the feelings of many when she says that she felt it a tragic waste that Jubilee 2000 had decided from the outset that it would be exactly what its name implied, a campaign to last only until the year 2000. There is still ongoing and catastrophic damage in the South because of the debt problem, and many people involved in the debt movement actually felt that they contributed to the successful effort of the campaign to cancel Third World debt. The people involved in the Jubilee campaign have yet to see the realization of their goals (George 2004:195–196).

If measured by political visibility, the first peak of the debt movement took place in 1998 at the shadow meeting of the G8 in Birmingham, which was largely dominated by the Jubilee 2000 movement. The masses that mobilized in Birmingham were visible enough to grant Ann Pettifor, the UK-based director of the Jubilee 2000 movement at the time, an audience with Tony Blair. A second peak was the mass mobilization in summer 2005 in connection with the G8 meeting in Gleneagles, from where Rodino (2005) reported that “300,000 demonstrators packed the streets of the picturesque town of Edinburgh”.

Following the framework of the Jubilee 2000 campaign, a small number of organizations have continued actively working for action on the debt front, among them Jubilee South. They have been joined by new organizations, networks and movements that have included the debt issue in their programmes. The Association pour la Taxation des Transactions pour l’Aide aux

Citoyens (ATTAC) was launched in 1998 in France,<sup>20</sup> and in the autumn a constitutional meeting of International ATTAC was held in Paris. Initially set up to promote a tax on currency transactions, the ATTAC movement has included other financial reforms on its agenda. Currently, the movement has expanded to an estimated 40 countries.<sup>21</sup> In addition, in many countries there are numerous local and regional ATTACs, and many mention debt in their plans of action. In some cases, however, this work is still latent.

The debt issue is also a—perhaps *the* most—visible issue in the events of the WSF process and can be measured in terms of colourful and loud marches calling for debt cancellation. At the WSF VI on 19–23 January 2006—held simultaneously in several locations—in Bamako, Mali, the debt problem was by far the most prominent issue, based on the number of events where debt was on the agenda.

These efforts have yet to set up joint strategies or campaigns. Northern campaigners who were leaning hard on creditor governments and international institutions have become passive on the debt issue, and some political momentum may have been lost as a result of the lower profile adopted immediately following the end of Jubilee 2000. However, recent events within global civil society seem to indicate that sails have again caught wind. The division of the movement into two camps, as shown in the formation of Jubilee South, symbolizes the differences within the movements. These camps can be roughly divided into North versus South; however, there are Southern debt organizations that support Northern standpoints. For instance, the African Forum and Network on Debt and Development (AFRODAD), in line with some other Northern organizations, defends the need for debt arbitration. Also, Martin Khor (2000) of the Third World Network has spoken favourably of debt arbitration.

Some of the work on debt in the United Kingdom previously conducted under the name of the Jubilee 2000 campaign continues, in theory, under the Make Poverty History campaign,<sup>22</sup> one of its aims being to cancel Third World debt. Another aim of the Make Poverty History campaign was to exercise political pressure on the UK government in 2005 when it was both chair of the European Union (EU) and the host of the G8. So far, these efforts have not resulted in meaningful debt relief, and the fixed-term perspective may not be productive. For debt campaigners, 2005 represented a year to drop the debt (Fresnillo 2004). The reason for this interpretation was that the United Kingdom was once again hosting the G7/G8 meetings—reviving the perceived success of mobilization in Birmingham in 1998—and was the chair country of the EU in the latter half of 2005.

Some trends within global civil society indicate that the actors are becoming concerned with the lack of results of the HIPC. On the one hand, the movements are becoming more radical and demanding complete debt cancellation immediately; on the other hand, it seems that some of the actors in the South are starting to discuss debt arbitration as an option. There are also recent attempts to kick off a new global debt campaign, and these organizations appear to have initiated discussions.

New global campaigns launched by the debt movements intend to broaden support for debt cancellation. NGOs have been working on drafting a statement to set out common goals among debt campaigners.<sup>23</sup> In recent years, there have been some new initiatives for merging campaigns to set up a new joint debt campaign—for example, from the World Council of

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<sup>20</sup> The constitution of ATTAC is available at [www.france.attac.org/a604](http://www.france.attac.org/a604).

<sup>21</sup> As there is no exhaustive data bank or Web page of the complete International ATTAC movement, this figure is an estimate based on personal knowledge and on Internet searches. Most ATTAC organizations include debt as an issue on their agenda; however, not all ATTACs are proactive on the debt problem.

<sup>22</sup> For more information, see [www.makepovertyhistory.org/home.html](http://www.makepovertyhistory.org/home.html).

<sup>23</sup> This was stated by Philipp Hersel, director of BLUE 21, in a discussion he led on the list of goals in late 2004 and early 2005 in the lead-up to the WSF V where the first meetings of the coordination group took place. See [www.listi.jpberlin.de/mailman/options/debt-deuda-coord](http://www.listi.jpberlin.de/mailman/options/debt-deuda-coord), accessed in January 2005.

Churches,<sup>24</sup> the ATTAC groups, AFRODAD, Jubilee South, BLUE 21 and the Third World Network. One concrete outcome of one of these efforts is a manual on how to organize audits on Third World debt, co-written by 10 organizations and movements (CETIM and CADTM 2006).

## 5. Activities and Outcome of the Debt Movement

As mentioned above, debt has been recognized as a problem of political power, a problem derived from unequal North-South power relations. Civil society from the North and the South has been demanding debt cancellation since the 1980s. The debt problem drew the attention of labour organizations in Latin America in the 1980s, and they were supported by their colleagues in the North. This attention materialized in the organization of conferences, development of position papers, encouragement of mass mobilizations, and declarations on the debt problem and its consequences. Thus, Northern and Southern organizations have been working on the debt problem together since the 1980s. Initially, the labour organizations become aware of the effects of SAPs on labour relations in Latin America. Consequently, the debt problem attracted the attention of organizations working on a variety of issues, ranging from labour to children.

Despite quite lively activism at times, the outcome of the debt movements, if measured in actual reduction of debt burden of the developing countries, remains weak. Since the first debt crisis in Mexico in 1982 that drew attention to the debt problem of developing countries, the global debt administration system remains the same. There is still a lack of political commitment on the part of developed country governments to implement measures to actually solve the debt problem, in response to the demands of their citizens expressed in the 1980s. So far, the debt movements have not been heard in this respect. The process of indebtedness has entered a vicious circle, and debt cancellations or reductions have not been achieved in line with the increased demands of the debt movements, in particular, since the late 1990s.

However, more recently, debt campaigners have felt motivated by the discussions being held in some developed countries, such as the United States and the United Kingdom, as well as in IFIs, about the viability of full multilateral debt cancellation (African Social Forum 2004; Jubilee USA Network 2004). Thus, full debt cancellation is already part of the political debate on the creditors' agenda. The scope of debt cancellation, the conditions and the developing countries that may benefit from this initiative are under the control of the creditors.

The debt movements have been very active both in the North and in the South. The outcome, however, should be measured in the North and by the shifts in policies of Northern governments in particular. The Jubilee 2000 movement gathered a substantial number of signatures, an estimated 24 million<sup>25</sup> worldwide in favour of "breaking the chains of debt". In numbers, this can only be compared to the worldwide demonstrations against the US attacks on Iraq on 15 February 2003.

There is still a lot of work to be done to raise awareness on the debt issue, and to mobilize more citizens of both the North and South. One "task" for them would be to pressure the powerful countries to make decisions; another would be to pressure their own governments to put the issue on the political agenda. This will require continued work on this issue in both Northern and Southern countries. This is not an easy task because the debt problem is not part of the everyday life and preoccupation of people (Debt Act 2004).

Jubilee 2000 achieved two main political goals. First, it got the debt issue on the political agendas of the G8 at its meetings in 1998 (Birmingham) and 1999 (Cologne). Following the noise

<sup>24</sup> See also "Debt campaigners propose strategies to revitalise the debt movement", World Council of Churches, *Update*, 9 July 2003.

<sup>25</sup> The quotation of the exact number of signatures collected by the Jubilee movement varies. We have heard figures ranging from 17 to 30 million signatures. Since the signatures are not catalogued in any one single archive, the exact figure cannot be easily verified.

of the Jubilee 2000 campaign, UN Secretary-General Kofi Annan also started to speak in favour of a quick solution to the debt problem. Second, the Jubilee 2000 movement succeeded in involving the masses around the theme of debt. Part of this success is due to the churches that were very much involved in the campaign. Since these meetings, several governments have repeatedly announced the cancellation of important sums of debt. Following the pressure of the Jubilee 2000 movement, the BWIs decided not to make debt cancellations as such and instead introduced three additional years—later stretched out to six years—of structural adjustment in order for countries to be eligible for debt relief. From the South's perspective, one of the achievements of the Jubilee 2000 campaign is that it brought world attention to the debt cancellation issue (Jubilee South Asia-Pacific 2000). The Make Poverty History campaign also succeeded in getting the debt issue into the media during summer and early autumn 2005. However, the campaign has not actually lessened debt burdens. Also, the campaign has been met with sharp criticism regarding its methods (the White Band bracelet), ignorance (a promise of debt relief has not been translated into decreases in the debt burden) and insensitivity or disrespect for African views on the debt issue—"Live8 is not representing any African realities; but rather, the jaundiced views of Western popular culture" (Neop 2005).

The discussion on activities and outcomes raises the question of the goals of the movement, which, broadly, are to "solve the debt problem". There are, however, differences regarding the ways the problem should be solved. Some groups call for immediate debt cancellation, others would be happy to see debt relief programmes working toward decreasing the debt burden, while a third group calls for debt arbitration. In general, the common goal for civil society organizations is to get the debt issue "onto the political agenda". This goal could be further specified as achieving: (i) changes in the political agenda; and (ii) the materialization what was promised.

It seems that the exact scope of the overall debt movement framework may not be carefully strategized, taking into account the Jubilee 2000 experience, which shows that the work ended with the political promises of the G7/G8 countries. Today, there are still groups and organizations that work on the debt issue, but their support is limited owing to the lack of active involvement of central movements, such as the churches or perhaps the labour movements.

However, to meet the goals of the debt movements, one of the challenges is to analyse such promises, make recommendations considering the gaps and continue to pressure governments to adopt effective measures (Fresnillo 2004:4) But what might be the scope of such an analysis? What are the opportunities and limits for civil society in this respect? What are the tools that could be used for such analysis, given that not all developing countries are given the same degree of attention from the academic sector.

The problems of the highly indebted poor countries, which have emerged over the last twenty years, have never attracted as great a concentration of effort on the part of economists as did those of Latin America and the Caribbean (Mochrie 2003:12).

An interpretation as to why economists lay low regarding debt may be the present dominance of neoliberal economics, which is not particularly interested in Keynesianism or global democratic thinking.

### ***Approaches by the debt campaign***

Generally speaking, the debt movements have followed three approaches in their campaigns when addressing the debt issue:

- *Global approach.* Civil society movements and NGOs worldwide have organized to challenge the debt of the South; for example, the Jubilee 2000 (International) campaign, the creation of international tribunals, shadow meetings, the

organization of international forums and, most recently, the lively demonstrations at the WSF events. This approach aims at both popularizing the issue as well as creating direct political pressure on the international system.

The global campaign has focused on lobbying, in particular the G7/G8, by organizing shadow meetings and petitions. This group has also lobbied with international organizations and creditor governments, and has brought together citizens of different regions to recount their own personal experiences with the consequences of the debt problem.

- *Regional approach.* NGOs of a particular region have organized to work on the debt issue; for example, European development NGOs and the Jubilee South organizations (Latin America, Africa and Asia-Pacific).

This group has focused on cooperation between regions such as Latin American countries (Jubilee South) or within the EU; for example, the European Network on Debt and Development (Eurodad) and the Comité pour l'Annulation du Dette du Tiers Monde (CADTM).

- *National approach.* Civil society has organized at the national level to question and propose solutions to the debt problem; for example, Jubilee Brazil, national tribunals, the Norwegian Campaign for Debt Cancellation, Jubilee 2000 Cameroon, Jubilee 2000 Nigeria, Sri Lanka Jubilee 2000 Coalition and Jubilee Australia.

The group focuses mainly on educating the people affected by the debt problem about the links between the debt problem and the economic consequences in the affected societies. The Southern national groups also provide important contributions to their Northern counterparts, contributing to the lobbying efforts of the Northern organizations in their work with their governments.

These approaches have not been exclusive; they may interact or reinforce each other in order to create a common framework on the debt campaign, doing further research on the legal and economic scope of the debt issue, sharing and distributing information, supporting and coordinating demonstrations, collecting signatures and so on. Nevertheless, the debt campaigners may have differing sets of proposals on how to solve the debt problem. One common denominator is clear: the challenge of the policies of the BWIs and their consequences on impoverished nations.

### ***From mass mobilizations to debt tribunals and beyond***

#### **Mass mobilizations**

The mass mobilization in the form of a shadow meeting of the G8 in May 1998, hosted by the United Kingdom, was very focused on the debt issue. In Birmingham, the churches were particularly visible. The slogan was to “break the chains of debt”, and people were wearing chains as symbols for debt dependency of the poor countries. According to some estimates, 70,000 people formed a human chain (Hertz 2004:4) – as opposed to a chain of debt. Likewise, in 2005, it was estimated that eight million people wore the white band sold by Make Poverty History, which “become the symbol of the global fight to end poverty”. The pressure of the shadow event was perceived as important, and Ann Pettifor, the leader of the Jubilee movement, was eventually received by Tony Blair to discuss the debt issue. Mass mobilizations in the form of demonstrations and other large-scale meetings have also been organized at the national level to pressure governments, and are still seen as an important mechanism to create political pressure in the North and the South, according to meetings held by debt campaigners in Brussels in September 2004 and London and Washington, DC, in October 2004 (Fresnillo 2004). Also, at the WSFs, marches and demonstrations to cancel the debt have been very visible, and their music and drums have been very loud.

Other forms of mass mobilizations took place in the form of 500,000 Cancel the Debt postcards sent to Brown in the United Kingdom, and rival soccer teams wore debt relief t-shirts (Hertz 2004:4).

### Debt tribunals

Civil society has organized “tribunals” to judge those whom they consider responsible for the debt crisis and its outcomes. These tribunals have been organized in the South and the North, and constitute an expression of the South-North solidarity in the debt campaign.

In September 1989, Northern and Southern organizations coordinated an International Debt Tribunal in Lima with the support of labour organizations. The concept of debt tribunals was also launched in May 1999 in Rio de Janeiro, Brazil. Tribunals continued to be set up beyond the 1990s (in 2000 and 2001). Following the Jubilee campaign, movements started to focus on smaller scale and more content-focused events. The Jubilee South/Americas further developed the idea of a debt tribunal at the WSF I. In 2002, at the WSF II, the debt movement organized what has been called the International Peoples’ Tribunal on Debt, which is part of the debt movement of the South’s call for the unification of citizens of the South as well as in the North to request cancellation of external debt that is found to be “illegitimate, unjust, and ethically, legally, and politically unsustainable”. The “verdict” of this “tribunal”, which may represent a public forum to challenge the legitimacy of the external debt, has taken into account the testimony of those who have suffered the effects of the debt burden in their countries, as well as its economic consequences.<sup>26</sup>

In fact, the tribunals, which embrace peoples from all over the world, are evidence of the movement’s focus in bringing the debt campaign closer to the citizens of the South and to the North, and to exercise pressure on the governments of the developed countries. The International Peoples’ Tribunal on Debt, along with the national tribunals held in 2001 in countries such as Argentina, Bolivia and Ecuador, have inspired the organization of tribunals in the North. On 30 November 2002, the Norwegian Peoples’ Tribunal on Third World Debt questioned the responsibility of the Norwegian government for the debt crisis of the South; the Norwegian cancellation of debts in 2006 was also credited to this event.

Previously, the arguments of the Northern movements were focused around unsustainable or unpayable debts. However, the debt campaign now focuses more on debt cancellation for moral and human rights reasons. (Norwegian Campaign for the Cancellation of Third World Debt 2003).

From the viewpoint of the Jubilee USA Network, “debts deemed odious and illegitimate must be declared null and void as a matter of law and justice”. However, with the current financial institutional system, the possibilities of recognizing the odious and illegitimate nature of the external debt and their consequent cancellations are limited. From a Southern perspective, the multilateral financial organizations lack the capacity and willingness for such recognition (Jubilee South 2004a:3).

In parallel, the call for the full cancellation of unpayable debts and an arbitration process is still central in the debt campaign of the NGOs. The debt movement in the North has been stressing the need to adopt a “human development approach to debt sustainability” and proposing “a fair and transparent international insolvency process. The satisfaction of most basic needs of peoples of the impoverished nations should not be affected”.<sup>27</sup>

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<sup>26</sup> WSF II, January/February 2002, Porto Alegre, Brazil. See the *Verdict of the International Peoples’ Tribunal on the Debt*, 2 February 2002 at [www.jubileesouth.org/tribunal/index.htm](http://www.jubileesouth.org/tribunal/index.htm), accessed in January 2005.

<sup>27</sup> See the joint NGO letter to EU Development Ministers of 27 October 2004, which was signed by six NGOs—Eurodad, Jubilee Netherlands, Africa-Europe Faith and Justice Network (Belgium), Action Solidarité Tiers-Monde (Luxembourg), Jubilee Debt campaign (United Kingdom) and Debt and Coalition Development Ireland—at [www.eurodad.org/uploadstore/cms/docs/LettertoEUMinistersondebtOct04pdf.pdf](http://www.eurodad.org/uploadstore/cms/docs/LettertoEUMinistersondebtOct04pdf.pdf), accessed in January 2005.

### National referendums or consultations on debt

National non-official referendums or consultations to get the opinion and support of the population have been held in both the North and the South; for example, in 2000, referendums were held in Brazil and Spain. Through such mechanisms, the debt issue has been exposed to the people in the countries where the referendums were held. In Spain, 97 per cent of the people consulted—more than one million—expressed their opinion in favour of total cancellation of the external debt owed to the Spanish government. However, this consultation faced some obstacles, such as issues related to its legality (Fresnillo 2004). In Brazil, these strategies aimed at organizing people around the debt issue, allowing the participation of public opinion in general, and they have also been used as educational tools to inform people about the debt issue. Civil society organizations and the churches backed a Brazilian referendum, and more than five million voted. The majority's view was against the agreement between Brazil and the IMF, and called for non-payment of the debt without a public audit. The initiative also faced some obstacles, such as the limited dissemination of information through the media and opposition from the Brazilian government (Arruda 2000).

### National studies on the impact of the debt on poor countries

These studies have been performed, not only by NGOs working on the debt problem, but also by economists<sup>28</sup> and those who are working to protect and defend human rights. For instance, in an attempt to draw attention to children and their rights, studies were undertaken in the 1990s regarding the effects of the external debt and SAPs on children in Latin America between 1980 and 1990. Based on national studies on the debt burden in eight Latin American countries—Brazil, Colombia, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Peru—a paper was produced concluding that SAPs and the external debt had more negative effects on the poorest, especially on children, and women. SAPs have affected the fulfilment of the Convention on the Rights of the Child. In other words, the highest costs of SAPs are paid by children whose lives are getting worse (ISCA 1992). Debt campaigners have been keen to draw attention to the fact that the poor and the marginalized people are the ones who pay the most for the country's debt.

### Legislative proposals

Some debt movements that criticize the national laws addressing the debt service, and propose alternative legislation on the subject. In the Philippines, the Freedom from Debt Coalition took actions to propose and demand the “repeal of the Automatic Appropriations Law”, a law that addresses debt service. This “repeal campaign” would attract world attention to the national campaign.<sup>29</sup> The Automatic Appropriations Law has been seen as a means to give priority to the debt service, overlooking the internal social debt owed to the peoples. In Spain, the campaign External Debt, Eternal Debt presented a proposal to enact a law on the treatment of the external debt. However, the proposal was never approved by the Spanish political party, Partido Popular (Fresnillo 2004). It is noteworthy that while the proposal provided for the participation of civil society in the external debt treatment, such participation should also be guaranteed by the government (Campaña Deuda Externa ¿Deuda Eterna? 2001).<sup>30</sup>

### Meetings, conferences, seminars

Traditional forms of civil society activity include holding meetings, seminars and the like. Since the 1980s, events to discuss the debt issue have been held not only by civil society organizations and movements working on debt, but also by labour movements. These events have allowed the debt campaigners to state their proposals, discuss and advance strategies, stress positions,

<sup>28</sup> See UNCTAD (2004) and, for instance, the papers presented at the UNU/WIDER Conference on HIPC held in 2002 in Helsinki at [www.unu.wider.edu.org](http://www.unu.wider.edu.org), accessed in January 2005.

<sup>29</sup> For more details, see the Web site of the Freedom from Debt Coalition at [www.freedomfromdebtcoalition.org/main/campaigns.php](http://www.freedomfromdebtcoalition.org/main/campaigns.php), accessed in January 2005.

<sup>30</sup> The text of the proposal to enact a law for the treatment of the external debt in Spain is available at [www.debtwatch.org/cast/docs/observatoris/govesp/5\\_pdl\\_dede.doc](http://www.debtwatch.org/cast/docs/observatoris/govesp/5_pdl_dede.doc), accessed in January 2005.

discuss their agreements and disagreements between them regarding debt cancellations, analyse the strategies of the IMF and the World Bank and, in particular, their initiatives on debt and poverty—for example, the IMF-World Bank Poverty Reduction Strategies—and to draw conclusions on the debt problem. These events have been organized in the North and the South and, as a result, the debt campaigners have developed positions papers and statements that have contributed to the issue through the diffusion of their claims. Since 2003, debt campaigners have started to look for common positions or joint demands for a solution to the debt problem.

#### Attracting UN attention to the debt problem

Former UN Secretary-General Annan (2000:38) described the role of the United Nations in the twenty-first century by suggesting a “debt arbitration process to balance the interests of creditors and sovereign debtors and introduce greater discipline into their relations”.

#### Lobbying the IMF

In connection with the IMF’s SDRM work (see Krueger 2002) in 2001–2002, NGOs felt that the IMF was very active in reaching out to NGOs and calling on their expertise. However, by proposing that IMF credits be termed preferred credits, the SDRM proposal did not mirror the principles of the arbitration procedure initially proposed by Raffer. In the end, the SDRM proposal fell through.

#### Getting the debt issue on the political agenda of other forums

In 2004, the World Commission on the Social Dimension of Globalization of the International Labour Organization was particularly strong on the debt issue. Also in 2004, the United Nations University/World Institute for Development Economics Research (UNU/WIDER), the Organisation for Economic Co-operation and Development (OECD) and the process launched by the UN Secretary-General with the heads of state of Brazil, Chile, France and Spain<sup>31</sup> released reports on finance mechanisms, but none of them discussed solving the debt problem as an issue to innovative finance mechanisms.

#### The debt issue on the agenda of churches

Churches have been expressing their position on the debt issue on different occasions and at various meetings. In 2000, in Mexico and Rome, Pope John Paul II called for a solution to the debt problem. He stressed the need for condemnation, or at least the reduction of debt of the poorest countries of the world.<sup>32</sup> From the church’s perspective, the external debt is immoral and, therefore, cannot and should not be paid (Casaldáliga 2000:82). The National Bishops Conferences—for example, in Brazil—expressed support for the Jubilee 2000 campaign. Meetings and declarations are part of the work of the church in the debt campaign. The church has also supported referendums on debt, for example, in Brazil, following the teachings of the Bible, which encourages the forgiveness of debt. The churches have been very clear about their position on the debt problem. For instance, the All-Africa Conference of Churches has called Africa’s massive foreign debt burden “a new form of slavery, as vicious as the slave trade”.

#### Celebrities speaking publicly in favour of debt cancellation

Perhaps the most visible celebrity involved in work on the debt of developing countries is Bono, the lead singer of U2. Hertz (2004:16) describes the involvement of Bono, Billy Graham and Harry Belafonte, among others, in the debt issue; in fact, Bono crossed the Atlantic eight times in summer 2000 alone to lobby against debt. He was initially briefed by Jeffrey Sachs and has served as a figurehead for debt cancellation at numerous meetings in Washington, DC. Bono also met with the Pope, and has spoken at numerous public meetings and political events on the

<sup>31</sup> These reports are available from Action Against Hunger and Poverty, initiated by Brazilian President Luiz Inácio Lula da Silva, [www.mre.gov.br/ingles/politica\\_externa/temas\\_agenda/acfp/index.asp](http://www.mre.gov.br/ingles/politica_externa/temas_agenda/acfp/index.asp), accessed in January 2005; Reisen (2004); Atkinson (2004).

<sup>32</sup> From a speech by Pope John Paul II at World Youth Day 2000 at Tor Vergata, Italy.



debt problem. Other prominent personalities speaking out about solving the debt problem include Bob Geldof and Archbishop Desmond Tutu.

## 6. Tensions and Dynamics of the Movements

Debt campaigners agree that the debt of the Third World is unsustainable and unpayable. However, there is no single position within the debt movements in regard to tackling the debt problem. Civil society organizations and movements working on debt are aware of the many different positions and the need to discuss them, and attempts to coordinate their positions are being made through discussions in international meetings. For example, within the World Social Forum movement, several meetings on debt campaigns and cooperation have been held.

The tensions, or different points of view expressed in the debt campaign, are not a recent phenomenon. Since the debt problem was first debated, differing points of view have been expressed regarding its solution. A variety of positions on what to do about the debt could also be found in the 1980s. While the majority of those involved in the debt debates may agree on debt cancellation, there have always been those who maintain that suspension of payments or postponing the debt payment for some years (repudiation) could be alternatives. These points of view were clearly expressed during the conferences and meetings organized by the labour unions during the 1980s in Latin America and the Caribbean that were held in Havana in 1985, in Buenos Aires in 1986 and in Lima and Campiñas São Paulo in 1987 (Mujica 1988:26–42).

Having said this, the debt movement is a textbook example of North-South dynamics: without pressure exerted on Northern governments, the issue would not have been put on the political agenda—such as G7 in the late 1990s. However, regarding the goals of the movement, fundamental differences and points of departure can be identified. In sum, there seems to be three main categories of controversy within the debt movements:<sup>33</sup>

1. Should debt relief be conditional?
2. Debt relief versus total debt cancellation. How should proposals of debt relief from creditor countries and international financial institutions be dealt with?
3. What kind of a solution and what mechanisms are the groups promoting?

One can perhaps say that in general, whereas the South has demanded full debt cancellation, some Northern organizations and movements are perceived by the South to compromise this objective.

There is not yet a clear common agreement among debt campaigners on what should be done: Should debts be written off and if so, should this be linked to conditionalities? Should compensation for “lost loans” be found somewhere? What about debt arbitration? Since debt cancellations must rely on some form of mechanism, could debt arbitration be more widely supported, bearing this aspect in mind? Or, are the campaigners aiming at rewriting North-South relations by some form of compensation for historic malpractices of the North toward the South? Compensation can also be measured in moral terms.

### **Conditionality**

The conditionalities attached to loans and programmes by the IFIs have acquired a bad name. So far, the most visible debt relief initiatives by creditors (HIPC, PRSP) have come with important conditionalities, as discussed earlier. At the other end of the spectrum is Jubilee

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<sup>33</sup> Based on communication with a number of civil society organizations—BLUE 21, CADTM, Eurodad and Jubilee South, among others—during the preparatory discussions for the WSF on 26–31 January 2005 in Porto Alegre, Brazil.

South, which finds any conditionality unacceptable: “the only condition is no condition” (Jubilee South 2006).

But within civil society at large, there are debt campaign organizations in both the North and the South that call for full debt cancellation without conditions, and there are those that defend the idea of a need for conditions imposed on debtors. Why?

There are groups in African civil society, as well as NGOs elsewhere, who consider some form of conditionality to be a useful safeguard against the misuse of freed up resources and the possibility of re-indebtedness by an irresponsible and authoritarian government (Colgan 2001).

In other words, tensions emerge between those in favour of external intervention in the form of conditions, and those who reject any economic and political foreign direction.

Some kind of middle ground can be found in the proposals of “conditionality from below”, as proposed by Jubilee Zambia (Musamba 2001, Banda 2006). Banda says that there is good conditionality and bad conditionality: if conditionality is non-democratic—that is, conditions imposed from above, such as those imposed by the IFIs—it becomes illegitimate. Non-democratic conditionality implies decreased sovereignty of debtor governments in the country’s economic policy, and diminished opportunities for the people to influence the decision-making processes.

### ***Debt relief***

The question of debt relief promotes discussions on two fronts; regarding debt relief initiatives as proposed by the creditors and, within civil society, on the political usefulness of debt relief — relief that is often linked to development financing.

Kapoor (2004) has written about multilateral debt cancellation, stating that the IMF and World Bank are major creditors of poor countries, and that cancellation of multilateral debt would be a very effective way of making resources available for development. He reconsiders the initiative from 1999 to sell part of the IMF gold reserves<sup>34</sup> to finance the debt of developing countries, a move that has also been proposed by Jubilee USA (Jubilee USA Network 2004).

The IMF argues that

debt cancellation would...impair the Fund’s financial integrity. The IMF’s gold reserves are a fundamental strength in its financial position, giving it increased credibility and the capacity to assist its broader membership in crisis situations... Additional sales would put at risk the confidence of members in the Fund’s solidity, and thus its ability to lend (IMF and World Bank Staffs 2001).

A moral argument has also been raised to propose financing debt cancellation by selling IMF gold reserves. In Oxfam’s (2005) view, “poor children are paying with their lives while unused gold sits in the vaults of the IMF. This is both unjustifiable and inexcusable”.

Critics could claim that while selling IMF gold to compensate the IFIs for unserviced credits could provide temporary relief for indebted countries, this mechanism does not bring the IFIs to justice for their past performance, nor does it change their policies or activities. A large part of the debt of developing countries is unserviced debt, and it is unlikely that the debts will ever be paid back—at least in full. This brings with it the further criticism of selling the IMF gold against debt cancellation. The liquidity that the IFIs would get from selling the gold reserves would provide them with unexpected amounts of cash that would probably be made available

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<sup>34</sup> IMF sold some of its gold reserves in 1976 and 1980, although for different purposes.

for continuous implementation of further SAPs or similar programmes. In other words, selling the IMF gold could provide debt relief in the short run, but in the long run the measure could maintain or even worsen the indebtedness of poor countries.

In summer 2005, following the G8 announcement of lifting the debt burden worth \$40 billion (22 billion pounds sterling, 33 billion euros) from 18 countries, the main organizations behind the civil society mobilizations revived their criticism. Rodino (2005) writes that “the debt relief pledged is only just that: pledged”. Monbiot (2005) reports that “even the crustiest sceptics have been shocked by the speed with which [the G8’s] promises have been broken”. Monbiot continues:

It is true that they didn’t amount to much. The World Development Movement described the agreement as ‘a disaster for the world’s poor’. ActionAid complained that ‘the G8 have completely failed to deliver trade justice’. Christian Aid called July 8th as ‘a sad day for poor people in Africa and all over the world’. Oxfam lamented that ‘neither the necessary sense of urgency nor the historic potential of Gleneagles was grasped by the G8’. But one man had a different view. Bob Geldof, who organised the Live8 events, announced that ‘a great justice has been done. ... On aid, 10 out of 10; on debt, eight out of 10...Mission accomplished frankly’.

Critical voices from the South report that they have yet to see debt cancellation or relief money flowing in and that some of the Make Poverty History personalities were ill-informed and ignorant, perhaps even dangerous in their statements.<sup>35</sup>

### ***Insolvency and arbitration***

One of the most important points of disagreement among debt campaigners is that of “insolvency”: the question of whether a country can or should declare itself insolvent on moral grounds. It is mainly Southern organizations that associate insolvency with humiliation. By contrast, Northern-based organizations imply that insolvency is a technical and economic term that has nothing to do with moral issues.

There is a lack of legal, institutionalized systems to challenge the illegality and illegitimacy of debts. In response, some groups have proposed the creation of an international arbitration tribunal. But this option has not gained widespread acceptance within the debt movements. The conflicts of opinion can be identified both within debt movements as well as between the movements and similar proposals by the IFIs.

As mentioned, within the movements some groups—most Southern movements and some Northern organizations—speak of immediate debt cancellation based on the debt problem having laid an unfair and extremely heavy burden on the shoulders of developing countries. Other groups speak in support of sovereign insolvency and debt arbitration procedures. Most notably, debt arbitration procedures were proposed by Raffer in 1987 and later supported, in particular, by professors Lawrence Klein, Jeffrey Sachs, Joseph Stiglitz and Oscar Ugarteche. Arbitration of international debt as proposed by Raffer (1990) would put the creditor and debtor in equal positions. As stated above, no fair judicial system allows the same parties to act as prosecutor, defender and judge.

Mostly, it is the Northern civil society organizations that support the ideas of debt arbitration and how indebted countries should declare themselves insolvent in order to qualify for “a fair, international insolvency procedure for sovereign states” (Pettifor 2001). For instance, the framework for Jubilee Research is written around the issue of arbitration (Pettifor 2002). The main misgiving of the debt arbitration alternative—as presented by Jubilee South—is that the

<sup>35</sup> See, for instance, *Live 8: Reflections on Celebrity and Superficiality*, Economic Justice News online, September 2005, [www.50years.org/cms/ejn/story/278](http://www.50years.org/cms/ejn/story/278), accessed in January 2005; Neop (2005); Geldof, Bono and the Live 8 Wankathon, Melbourne Indymedia, [www.melbourne.indymedia.org/news/2005/07/93233\\_comment.php](http://www.melbourne.indymedia.org/news/2005/07/93233_comment.php), accessed in January 2005.

arbitration tribunal could be manipulated by the powerful developed countries and the multilateral financial institutions. For those “concerned about the possibilities for co-optation and manipulation against the notion of illegitimate debt, Jubilee South does not take a position of support for the FTAP [Free and Transparent Arbitration Process]” (Bendaña 2002).

In addition, to declare bankruptcy is perceived as humiliating, and the call for arbitration includes a confession of the debtor of the inability to make the required repayments. The doubts expressed by Jubilee South and others are met with two main counterarguments. First, cancellation needs to take place through some form of procedure, and arbitration could provide one type of mechanism. Second, relying on Chapter 9 (Title 11) of the US Code, and the fact that several US states have declared themselves insolvent, could eliminate the feared stigma that the word “insolvency” brings with it.

Under Chapter 9, US laws protect both the governmental powers of the debtor and individuals affected by the plan. Affected taxpayers as well as employees of the municipality have a right to be heard, defending their interests. Creditors are to receive what can be ‘reasonably expected’ from the debtors under given circumstances. The living standards of the indebted municipality’s population are protected. The jurisdiction of the court depends on the city’s volition, beyond which it cannot be extended. This demonstrates the appropriateness for sovereign debtors (Raffer and Singer 2004:194).

However, Jubilee South is not alone in opposing countries declaring themselves bankrupt. Ugarteche and Acosta (2006:3-4) say that countries do not go bankrupt and that payment suspensions (default) are regular part of long-term economic cycles. Bankruptcy is, according to them, a measure for a business whose assets can be taken over and liquidated, not for a state. A state is a sovereign entity that has to remain in existence. Building upon the idea of arbitration, Ugarteche and Acosta propose an International Board of Arbitration on Sovereign Debt (2006). The Board would make its decision on payable debts, particularly based on economic, social, environmental and human rights.

Avoiding the word bankruptcy, some civil society organizations have developed a Fair and Transparent Arbitration Process, (FTAP). The FTAP, like the proposal by Ugarteche and Acosta, emphasises the protection of certain minimum rights. One of the key elements of the FTAP is the “protection of the ‘basic minimum’, i.e. the resources, which are necessary to guarantee the citizens of the indebted country their survival in dignity as well as the protection of the indebted state’s sovereignty” (Erlassjahr.de 2002:1).

But arbitration is discussed not only within civil society, but also at the IMF. In the early 1990s, Ann Krueger, deputy director of the IMF, presented an arbitration mechanism—the Sovereign Debt Restructuring Mechanism (SDRM)—under the auspices of the IMF. However, the main difference between the SDRM and the debt arbitration mechanism as originally proposed by Raffer lies in the fact that in the SDRM, the IMF would nominate itself as a preferred creditor. This would leave the IMF outside any arbitration ruling, and would not hold the IMF responsible for its past performance and advice. This proposal is not seen favourable by those within civil society proposing arbitration procedures of debt.

Appointing an independent entity to decide wrongs and rights resembles the initiative of setting up a North-South truth commission. Forsberg and Teivainen have looked into truth commissions and conclude that “debt arbitration could indeed constitute themes under which truth-commission-like consideration on forgiveness and reconciliation could play a role” (Forsberg and Teivainen 2004:28). But, they say, given the current relations of power, it is not surprising that some of the radical movements express doubt about the usefulness of the debt arbitration proposals.

## 7. Principal Research Gaps

There were discussions on the role and responsibility of the lenders, following the Norwegian government's decision to cancel its debts to certain countries. Building on previous precedents, the Norwegian move may encourage further thinking on international law as regards international lending and borrowing.

As such, research on the debt problem is still a young field, dating back only to the 1980s. Following the debt crisis in Mexico in 1982, the theory of developing country debt was initially embarked upon in the 1980s by economists Joseph Stiglitz, Paul Krugman, and Jeffrey Sachs. Stiglitz developed new thinking on asymmetrical information, problems of moral hazard and adverse selection in the international financial markets and lending activities in particular (Eaton et al. 1986). Krugman introduced debt forgiveness and suggested that it should be applied along with financing (Krugman 1988). Sachs was the first to suggest that debt reduction could create favourable incentives in an indebted country (Sachs 1989). Kunibert Raffer initially presented his work on debt arbitration based on Chapter 9 of Title 11 of the US Code in the late 1980s (Raffer 1990). Since then, a lot of research has been carried out, especially on country-specific situations. Another set of work is on the analysis of the success/failures of debt relief programmes. In addition to the important work in economics, the theory of debt could benefit from cross-disciplinary thinking. For instance, in comparison to economists, few political scientists have written on the debt issue. Rather, in the case of debt, it is civil society who maintains the dialogue with the economists and legal experts.

In planning the Bretton Woods system in the 1940s, John Maynard Keynes presented a plan for an International Trade Organization that would have the authority to penalize countries both for surpluses as well as deficits in their trade balances. The responsibility for unequal trade balances would thus have been a common responsibility. The Bretton Woods system eventually adopted a regime that seemed to be exactly what Keynes warned against: a system where in times of economic crises, deficit countries are driven towards restrictive policies and where the deficit countries themselves are responsible for their deficits. This can only end in vicious circles of economic trouble for the indebted countries. The main issue here is that only part of the work on the debt problem includes reflections on what kind of a global financial system would need to be put in place in order to prevent future debt problems and crises of developing countries from occurring. In their work on the debt issue, only a few civil society organizations have addressed the main issue of preventing future debt crises from taking place. In other words, even if all debt were cancelled tomorrow, the structures of the global economy may need to be changed in order to prevent the debt problem from raising its head again. What would this system look like?

This thinking is especially topical in the late 2000s, when civil society is pointing to a triple crisis at the IMF (Focus on the Global South 2006, Schuldt 2006): a crisis of confidence (history shows a poor track record for the IMF), solvency (the IMF is experiencing a budget crisis), and mandate (borrowing countries turn to other lenders). This could lead to redefining the future role of the IMF. Will this affect the international financial architecture?

At the same time, we see new creditors emerging on the lending markets (Schuldt 2006, Eurodad 2007). These lenders are emerging economies with important national reserves. Loans may be slightly more expensive, but they come without conditions. Old loans are soon replaced by new debt stocks, creating new dependency relations. What will the availability of resources outside the IFIs mean to the developing countries? And what will this mean for the IFIs? If loans are replaced, what does this mean for the discussions on the possibilities for punishing past lenders' for reckless lending, as opposed to debtors for irresponsible borrowing?

George's (1992) book entitled *The Debt Boomerang* became a central text in popularizing the debt issue, and her work was important for the Jubilee 2000 movement. The book not only explains the debt issue of the developing countries, but also lays out the debt problem from a global

point of view and makes the message accessible to the masses. The involvement of civil society organizations in debt activities suffered a setback following the Jubilee 2000 campaign. However, new research by the United Nations Conference on Trade and Development (UNCTAD)<sup>36</sup> anticipates that a new debt crisis is around the corner. Due to falling commodity prices, worsening terms of trade and accumulating debt, we might face a new debt crisis in five to ten years, according to UNCTAD. Some estimates suggest an even shorter time period and deeper crisis, if interest rates rise. If another debt crisis were to hit as a result of the debt problem, this might provide another strong incentive for mobilization around the debt issue again. The debt problem should be redressed in easily accessible language, available also in forms stripped from econometric modelling.

The fall of the prices of commodities forms one of the causes behind the debt problem. Tony Addison<sup>37</sup> proposes that research be conducted to link the debt and financing to commodities and to see how commodities are contingent upon debt. If commodity prices fall, so do debt repayments. Addison predicts that, with the emerging economies in China and India, the world may soon see a big shift in commodity prices. Furthermore, he suggests looking into the fiscal side of debt relief. What does or would debt relief mean in terms of transfer of resources? One assumption is that debt relief is followed by development, but what is the capability of a formerly indebted government to spend its resources effectively? Social movements may not have pinpointed the “rolling over” issue sharply enough. Addison also introduces linking debt relief to striving for peace.

Despite the research undertaken on debt, specific economic research on debt cancellation as such is scarce. Mochrie (2003:11) argues that “economists have played a surprisingly small role in the public debate on debt cancellation”. According to him, one explanation is that “there are other problems in economics that are more tempting”.

In addition, and in line with Mochrie’s view on the lack of research on actual debt cancellation and Addison’s comment on how debt-freed nations would operate, it seems that little research has been done on what the international lending system in the future should look like in order to prevent future debt problems. As Dembele<sup>38</sup> put it, debt cancellations must be combined with the transformation of the mechanisms that maintain and cause the debt problem; he specifically mentions the mechanisms of trade and the role of commodities.

However, if there is still a vacuum on the economic analysis of debt cancellation, it would be because the academic debate on debt cancellation, and the procedures and potential effects of debt cancellation, remain open.

Research could also be undertaken on whether the historical, moral, ecological and social arguments are strong enough to advance the goals of civil society organizations. What are the limits of such arguments? What is the potential and limit of the debt movements in this case? There may not be a need for any one common debt position by the campaigners, as in line with many other civil society struggles and campaigns; also within the debt movement, there are many different “degrees” of radicalism and political shades as concerns the demands. But the movements could all benefit from pushing overarching consistent and multifaceted solutions.

## 8. Conclusion

These preoccupations with severe social consequences, as well as the effects on the future of development in the South, have led to the denunciation of the debt burden on developing

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<sup>36</sup> Charles Gore, Presentation of the UNCTAD *Trade and Development Report 2004*, House of the Estates, Helsinki, 19 May 2004.

<sup>37</sup> Interview with Tony Addison in Helsinki, Finland, on 24 November 2004 by Yovana Reyes Tagle and Katarina Sehm Patomäki.

<sup>38</sup> Interview with Moussa Deba Dembele in Bamako, Mali, on 23 January 2006 by Katarina Sehm Patomäki.

countries. As of yet, effective measures of solving the debt problem have not been put into action.

Indebted poor and developing countries have paid their dues to their Northern creditors many times over. Therefore, the debt problem of developing countries is perceived more as a political problem than an economic problem. Civil society organizations and movements have worked on getting debt cancelled for decades, creating public awareness about the debt problem of developing countries. These civil society actors have raised various arguments to demand debt cancellation and have used a wide range of methods to put pressure on the IFIs and the governments ruling within them. Despite long-term, persistent work to keep the debt issue alive on the political agenda of the developed countries, the debt problem goes unsolved.

The responsibility of the BWIs, the Northern creditor governments and governments of developing countries continues to be central in the debate about the indebtedness of the South. The linkage between the policies of the BWIs and the debt problem has been repeatedly pointed out by civil society, which has assessed the debt of the South as unpayable, illegitimate, illegal, odious, onerous, unfair, unsustainable and unjust.

Development is an integral part of fundamental human rights. The need for development in the South is at the core of the debt debate. Debt and debt servicing are seen as serious obstacles to development and human rights.

One of the most prominent milestones in the global debt campaign—if measured in visibility in the Northern creditor centres—was the Jubilee 2000 campaign. This campaign initially served as a magnet for civil society working on debt issues both in the North and in the South; it also attracted mass-based organizations such as churches. Nevertheless, and interestingly enough, the creation of Jubilee South came to reveal the divisions of paths between the “justice” and the “charity” poles within the movement. These poles could also be further defined as “the South” and “the North”, and to some extent also as “the political approach” versus “the economic approach”.

The debt issue is attracting the attention of new actors and discussion forums such as the ATTAC organizations and the WSF, both of which have included it on their agendas. Simultaneously, there are signs in different parts of the world that the debt movement is contemplating setting up new campaigns.

Despite the common goal to find a solution to the debt problem of the South, there is still a lack of agreement between debt campaigners as to how this goal should be attained. A variety of proposals have been launched in the debate, ranging from immediate total and unconditional cancellation to more moderate forms of debt relief. Some groups support processes of debt arbitration.

Debt campaigners in both the North and the South have stressed the social impact of the debt burden. Civil society has successfully linked the debt burden with poverty and underdevelopment faced by the South. The strengths and weaknesses of the arguments raised over many decades calling for debt cancellation remain a field to be explored from political, legal and economic points of view. Account should be taken of the different levels of social and economic development of the indebted countries in order to identify tailored solutions.

Any attempt to address the debt problem poses challenges of designing mechanisms that respect the sovereignty of developing countries. Civil society criticism of the present “debt relief” programmes by the BWIs is based on the intervention of these institutions in national economic programmes, and the conditions imposed on indebted nations taking part in such programmes. In addition, various initiatives by creditor countries or financial institutions to raise money to compensate for cancellation of BWI loans to developing countries are met with civil society criticism because these initiatives do not hold the BWIs accountable for their role in shaping the debt problem.

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