

Urgent Action on Low-Income Countries' Debts: G7 Ministers To Debate 100% Multilateral Debt Cancellation on October 1 2004

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Introduction

On October 1, the Group of Seven Finance Ministers will convene in Washington to consider canceling 100% of the debts owed by some poor countries to multilateral institutions such as the International Monetary Fund and the World Bank. The G7 Ministers will also consider a US proposal for writing off as much as US\$90 billion of Iraq's estimated US\$120 billion in "odious debts" from loans contracted by the Saddam Hussein dictatorship and used against the interests of the people.

These are small but hopeful steps, and now is a critical moment to remind the Canadian government that they have yet to meet the demands of the 640,000 Canadians who signed the Jubilee debt remission petition in 1999-2000. We're asking you to phone your MP and the Finance Minister and ask them to lend Canada's support to CANCELING THE DEBT! Read on....

Background

At their Summit meeting at Sea Island, Georgia last June, the leaders of the most powerful industrial countries, including Prime Minister Martin, asked their Finance Ministers to come up with a proposal for writing off debts owed by low-income countries to multilateral financial institutions.

While some bilateral (country to country) debts have been written off under the official Heavily Indebted Poor Country (HIPC) initiative, low-income countries' multilateral debts have actually increased since the HIPC initiative was introduced. The IMF and World Bank also demand that these countries accept onerous structural adjustment programs (SAPs) before they can receive any debt relief or new loans. These SAPs have worsened poverty and led to cutbacks in spending on health care, exacerbating the HIV/AIDS crisis.

Take action!

Telephone Prime Minister Paul Martin at 613-992-4211

And Finance Minister Ralph Goodale at 613-996-4743

and your own Member of Parliament at her/his local constituency office or

reach them through the House of Commons Information Centre at 613-943-3838

or on the Internet at "Find your Member of Parliament using your Postal Code" at

<http://www.parl.gc.ca/information/about/people/house/PostalCode.asp?lang=E&source=sm>

Please talk to your MP and the Minister's office or leave an urgent message telling them to join with other G7 countries to:

- Immediately and unconditionally cancel 100% of the debts owed by all low-income countries to multilateral financial institutions;
- End Structural Adjustment Programs, which only deepen poverty and inequality; and
- Recognize that neither the people of Iraq, nor citizens of other countries formerly ruled by dictators, should be obliged to repay odious debts.

Further background and talking points to emphasize where possible:

Although some countries, including Canada, have cancelled some bilateral debts under the official Heavily Indebted Poor Country (HIPC) Initiative, the burden of multilateral debts on low-income countries has actually risen since 1996.

(Note: Bilateral means debt owed by one country to another. Multilateral debt exists between one country and an international financial institution like the World Bank or International Monetary Fund.)

While Canada has pledged to write off C\$569 million in low-income countries' debts, this amounts to only about one dollar out of every thousand owed by these countries.

The Heavily Indebted Poor Countries (HIPC) initiative has been a failure even on its own terms. Nine of fourteen countries surveyed by the World Bank will have "unsustainable" debts even after completing the HIPC process. Five African countries will actually have to make higher annual debt payments than they did before qualifying for "debt relief".

After receiving HIPC debt relief, African governments will still spend an average of US\$14 per person a year on debt payments and just US\$5 per capita on health care, despite the fact that some 3 million Africans will die from HIV/AIDS this year alone.

The proposed debt relief for Iraq is twice as large as all the debt relief given to Africa over the last decade.

We know that debt relief works. Uganda used US\$1.3 million of its debt savings specifically for a national HIV/AIDS plan that succeeded in reducing infections by 40%.

The World Bank and the IMF can afford to write off low-income country debt at no cost to Canadian taxpayers. As of June 30, 2003 the World Bank had loan loss provisions of US\$4 billion as well as US\$27 billion worth of retained earnings on its books. In 1999-2000 the IMF sold 12.9 million ounces of its gold reserves earning US\$2.9 billion to finance the HIPC Initiative. The IMF has another 103.4 million ounces of gold at its disposal with a market value of about US\$42 billion.

Saddam Hussein is not the only dictator who saddled his people with enormous odious debts used for personal aggrandizement and to finance repression. The peoples of the Democratic Republic of the Congo (formerly Zaire), the Philippines and Argentina, to cite just three examples, have equal claim to having the illegitimate debts imposed by former regimes cancelled outright.

During the 1999-2000 Jubilee debt cancellation campaign, 640,000 Canadians and 24 million people worldwide signed the Jubilee debt remission petition. Despite this global outpouring of support for debt relief, little has been done by the world's wealthy nations. It is well past time that governments heeded our demands.