As G8 summit meets: debt stranglehold tightens

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Following the 1999 G8 summit of the seven major capitalist powers and Russia held in Cologne Germany, the air was filled with statements that the crippling debt cycle strangling the poorer countries of the world was about to be broken.

US president Bill Clinton declared that commitment to cut $100 billion from the debt of the poorest countries was “an historic step to help the world's poorest nations achieve growth and independence.” British Prime Minister Tony Blair, in his trademark sanctimonious style, hailed the deal as “a huge step forward. ... We will probably be writing off literally billions of dollars worth of debt and I believe this summit will probably mark the biggest step forward in debt we have seen for many years.”

Even the anti-debt protest groups, which had organised protests involving tens of thousands of people at Cologne and at the 1998 G8 summit in Birmingham, England, held out the prospect that the agreement was a step forward.

One year on, as the G8 leaders gather on the far southern Japanese island of Okinawa for the 2000 summit, the words delivered at Cologne are just another bitter reminder of the crippling debts that condemn millions to an early death of disease and poverty.

Of the 40 countries promised debt relief, only 10 have actually entered the debt-reduction program and only one has had its debt cancelled.

And according to Anne Pettifor, the founder of Jubilee 2000, a coalition of groups demanding debt reduction, the relief offered by the World Bank and the International Monetary Fund under the Highly Indebted Poor Countries (HIPC) program has unacceptable conditions attached.

“The whole point is to free them from this form of slavery and neo-colonialism but instead the IMF is grasping the opportunity to reimpose its control over these economies,” she said.

Oxfam International spokesman Phil Twyford said debt relief had been proceeding at a “glacial pace” and the “historic promises” made at Cologne had been “left hanging in the air.”

Statistics prepared by Jubilee 2000 show that even when they receive debt relief, the 10 countries that have so far entered the program will still spend a third more on debt servicing to the banks and international financial institutions than they do on health care. Of the $100 billion promised at Cologne, just $15 billion will have been delivered by the end of this year. By 2005, or possibly later, the total will reach $90 billion, while $10 billion will never be cancelled.

Meanwhile the debt stranglehold continues to tighten. It is calculated that every day some $60 million is transferred from the poorest countries to the international banks and financial institutions. The social costs are incalculable. For example, 19,000 children die every day as a result of money going to foreign creditors instead of being spent on health care, education and clean water.

Many impoverished nations have been excluded from any relief, after failing to meet the requirements of the HIPC program. Nigeria, for example, has been ruled out despite the fact that its annual per capita income is less than $300 and the ratio of debt to annual exports is over 250 percent. Likewise Haiti, the poorest country in Latin America, fails to qualify despite having a debt to export ratio of 171 percent.

Even for countries that do manage to “qualify”, through the initiation of budget cuts and “restructuring” programs, there is little or no improvement. Indeed, their situation may even worsen, as the case of Tanzania demonstrates.

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Last May, the government announced that more than 27 percent of its total revenue, estimated at just over $1 billion, would be used to pay external debt, meaning that its payments of $290 million in the current financial year would actually be greater than before entering the HIPC program.

Overall African countries are estimated to pay about two-fifths of their revenues on foreign debt, and their situation in worsening.

During the decade of the 1990s, they transferred $105 billion to the major capitalist creditors in debt repayments. Despite this, the total debt outstanding rose to $230 billion in 1998. Of the growth in debt since 1988, some 65 percent was not due to new borrowing but consisted of capitalised interest and arrears. Overall, HIPC debt increased by 7.4 percent each year between 1980 and 1997 while the GNP for those countries rose by only 1.1 percent each year.

According to the United Nations Human Development Program the money spent on debt by African countries could save the lives of seven million children each year, meaning that so far this year more than three million children have died.

This year's summit has been accompanied by the usual round of hackneyed phrases about the need to end poverty. The president of the World Bank, James Wolfensohn, has written a letter to the G8 leaders urging them not to adopt a “business as usual” approach.

“A world in which the rich get richer while the poorest countries are left out can never be secure and stable,” he wrote, calling for “speed and flexibility” in easing debt burdens.

In a statement issued before his arrival in Okinawa, Clinton said the summit would build on last year's initiative and create a framework to fight infectious disease, increase access to education and expand opportunity through information technology.

Nigerian president Olusegun Obasanjo told a press conference: “It is no longer a question of what we should do. We all know what we should do. The question is, do we have the political will?”

Last week French president Jacques Chirac declared he would call on the G8 members to improve the quality of medical care available in poor countries.

But no concrete commitments are being made. Following a conference between G7 leaders and representatives of the G77 group of nations in Tokyo on Thursday, US Treasury Secretary Lawrence Summers, standing in for Clinton, said the summit would finalise suggestions on various issues of co-operation with poor countries, but declined to comment any further.

Canadian Prime Minister Jean Chretien, speaking after a meeting with Japanese Prime Minister Yoshiro Mori, defended the crippling conditions imposed by the IMF and World Bank. “For example, we don't want to give debt relief for them to go to buy arms and start wars,” he said.

No doubt the final communiqué will contain some words about the need to end poverty, and possibly even some further promises on debt relief. They will prove as empty as the previous commitments. Meanwhile the banks and financial institutions of global capitalism proceed with the “business as usual” of sucking the lifeblood from the poorest people in the world.

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