

# DROP THE DEBT

Winter 2003

NEWS and ACTION from Jubilee USA Network, Washington, DC

## Making the Debt-Trade Connection: Why Debt Campaigners Should Oppose the FTAA

By Morigan Phillips, Program and Organizing Fellow at Jubilee USA Network

The Free Trade Area of the Americas (FTAA) is essentially an expansion of the North American Free Trade Agreement (NAFTA) to encompass all the countries of the Western Hemisphere (excluding Cuba). The FTAA negotiations began in 1994 in Miami, Florida at the Summit of the Americas. The negotiations consist of nine working groups; services, investment, government procurement, market access (tariffs, customs, and technical barriers to trade), agriculture, intellectual property rights, subsidies, anti-dumping, competition, and dispute settlement. The FTAA stands to be one of the most far-reaching trade agreements ever created. Every citizen of the Americas will be in some way affected by the trade policies of the FTAA.



Jubilee joined international activists in Cancun to connect debt and trade.

The FTAA is based on a model familiar to debt campaigners. The aims and methods of the FTAA are the same as the Structural Adjustment Programs (SAPs) of the World Bank (WB) and International Monetary Fund (IMF): Liberalize economies and eliminate all barriers to trade thus improving access to markets for large foreign corporations. Both the FTAA and SAPs require most developing nations to make reforms to achieve this. The process begins by turning domestic agricultural lands to export crops and is followed by: Limiting public spending on social programs including education and healthcare; deregulation of utilities and transportation, elimination of protection for domestic industry; and the removal of barriers to foreign investment. The privatization of services is something championed by the IMF and WB. The FTAA will allow corporations to privatize the distribution of services like never before. Water, for example, considered by many to be a human right, has become a commodity under SAPs. When water is privatized in impoverished countries it can mean that the most impoverished people lose

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## Debt and Destruction in Senegal

By Demba Moussa Dembele, Forum for African Alternatives, Senegal

From the late 1970s until the present day, the International Monetary Fund (IMF) and World Bank have dominated economic policy in Senegal and in other Sub-Saharan African countries through what are known as 'Structural Adjustment Programs' (SAPs).

The core policies associated with SAPs are cuts in public spending; tight monetary and fiscal policies; export-led growth; trade and investment liberalization; deregulation of internal prices; dismantling of the public sector; privatization of State-owned enterprises and of essential services; rolling back the State and eroding its ability to formulate autonomous national policies.

However, far from rescuing Senegal from its debt problems, the implementation of such policies since the early 1980s has aggravated the debt burden and undermined the achievement of poverty eradication. Debt ratios have literally exploded. In 2002, the external debt accounted for 70 percent of the country's Gross Domestic Product (GDP) and for more than 200 percent of its export revenues.

The deepening of the debt burden ran in parallel with the deterioration of the economic and social situation, due in large part to the numerous policy conditions attached to loans made by the IMF and the World Bank. Sweeping trade liberalization

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“...proclaim liberty throughout the land to all its inhabitants; it shall be a jubilee for you...”  
– Leviticus 25:10

Jubilee USA Network began as Jubilee 2000/USA in 1997 when a diverse gathering of people and organizations came together in response to the international call for Jubilee debt cancellation. Now over 60 organizations including labor, churches, religious communities and institutions, AIDS activists, trade campaigners and over 9,000 individuals are active members of the Jubilee USA Network. Together we are a strong, diverse and growing network dedicated to working for a world free of debt for billions of people.

In the Jubilee Year as quoted above in Leviticus, those enslaved because of debts are freed, lands lost because of debt are returned, and community torn by inequality is restored. Today international debt has become a new form of slavery. Debt slavery means poor people working harder and harder in a vain effort to keep up with the interest payments on debts owed to rich countries including the US and international financial institutions such as the International Monetary Fund (IMF) and the World Bank. Jubilee USA Network brings together people to turn this reality around by active solidarity with partners worldwide, targeted and timely advocacy strategies and educational outreach. Please join us in working for Jubilee justice.

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## Raise Money for Jubilee and Have Fun! Announcing Three New Fundraising Efforts

JUBILEE USA NETWORK RELIES on contributions from supporters across the country to enact its programs and campaigns. Now we have three new, easy, and fun ways that you can help us to raise money to support the Network and continue to spread the word about Jubilee.

### **Baja Fresh: Fun and Filling**

Jubilee USA is teaming up with the Baja Fresh Mexican – Grill Restaurants, but we need help from all of you to raise the most *dinero* possible.

Baja Fresh will donate 15% of a customer's food and beverage purchase on a given night to Jubilee. Customers must simply present a Baja Fresh Fund Raiser Flyer to the cashier when they order their food. The store will then give Jubilee 15% of the proceeds of each sale to customers with a Jubilee flyer! The fundraising night can take place anytime Monday through Thursday between the hours of 5-9 pm. Feel free to bring Jubilee materials to share with customers and make this fundraiser an outreach opportunity as well. With a few volunteers and a few hours at an area Baja Fresh, you can help contribute to a stronger Jubilee.

We need people willing to lead a Baja Fresh fundraiser night in their area. To find out which restaurants are in your area, please visit [www.bajafresh.com](http://www.bajafresh.com). Contact the Jubilee office if you are able to help at [coord@jubileeusa.org](mailto:coord@jubileeusa.org) and 202-783-3566.

### **Help Ginny Have a Happy Birthday!**

If you read the letter enclosed with this newsletter, you are already familiar with Ginny Corzine. Ginny turned 75 in mid-October. What did she want for her birthday? Funding for Jubilee to create a new informational video. Last August she committed to try to raise \$12,000 to create a new Jubilee video. She has already raised \$5,000! While she hoped to surprise us with all \$12,000, she decided she could use your help to get her the rest of the way and asked that we broadcast her appeal to a larger Jubilee audience. You can read her letter on our website at [www.jubileeusa.org](http://www.jubileeusa.org). In it she writes about why she cares to see debt cancellation become a reality and the importance of creating a new video as a tool to spread the word and get people engaged.

We are now asking you to help Ginny get her birthday wish. We have set aside an account at Jubilee just for Ginny's video. Please consider donating towards this project specifically. If each reader gave \$7 towards the video we would be able to fund it fully! You can donate on-line or send us a check at 222 East Capitol Street NE, Washington DC 20003. Don't forget to mark on it that it is for the video.

If you are inspired by Ginny's letter and her work to fundraise for Jubilee, you can do it too. Feel free to write your own letter asking your community to support the work that you care about either by funding Jubilee at the national level or funding the Jubilee coalition closest to you. Let us know how it goes and how we can help! Many thanks from Jubilee and double thanks from Ginny!

### **The Golden Ticket**

How does a free trip overseas, a new car, or spa resort sound to you? Here is your chance to help Jubilee and possibly to win a fantastic prize. Our main focus at this point is finding an incredible contest package for the winners. If you know of someone who would be willing to donate a prize please let us know. For information or if you want to help to organize this contest please contact the Jubilee office or Summer Gill at 352-854-0663 or at [Summerjubilee04@aol.com](mailto:Summerjubilee04@aol.com) ☒

# POLICY PAGE

## Wrapping Up 2003

### 5-10% Bill

Congratulations! You won! On May 27, 2003, the President signed into law a debt relief amendment as a part of the AIDS bill that, if implemented, would double the amount of debt relief awarded to date. The bill will also make it illegal for debt relief to be conditioned on any requirement that impoverished countries comply with policies that deepen poverty or degrade the environment. The prohibition includes any policy that requires fees for basic education and health, restricts access to clean water, harms the environment or threatens workers' rights. Thus, this bill opens the door to challenge any U.S. action in favor of these key aspects of structural adjustment programs.

Unfortunately, the U.S. Treasury department has so far been less than enthusiastic about implementing this law. But you have helped to motivate them by sending well over 10,000 postcards to Treasury Secretary John Snow. Your postcards send the clear message that we are watching and we will not rest until we see the full fruits of the law.

### Iraq's Odious Debt

In the last newsletter you read about HR 2482, the "Iraqi Freedom from Debt Act," sponsored by Representatives Maloney (D-NY) and Leach (R-IA). Representative Maloney and her staff worked tirelessly for the passage of this bill – a bill that would legislate cancellation of the odious debt held by the International Monetary Fund and World Bank over Iraq. Unfortunately, it was ruled that HR 2482 could not be attached to the appropriations bill.

The only way that this bill would have hope to succeed this year in the House of Representatives is if Representative Oxley (R-OH) would support the legislation, and at this point it looks highly unlikely.

Despite the fact that the bill did not pass this year, Jubilee has been pleased to see a strong debate on the issue of odious debt in the media and on the House and Senate floors. Even last year, the concept of odious debt would have been laughed at. At least in part it is thanks to your great work that such a vibrant debate on odious debt occurred in Congress. We plan to follow up on the opening that has emerged on odious debt in Congress in 2004 – and to extend our efforts to other nations around the world.

### IMF Papers – Debt Sustainability and HIPC Fails (again!)

The International Monetary Fund and the World Bank have released several interesting papers. The first is on the topic of "debt sustainability." The paper discusses how to determine how much debt a country can "sustainably" pay. Up to this point, a country has been considered "unsustainably" in debt (and thus eligible for relief) if the country has a debt to export ratio of more than 150%. The new paper argues that there needs to be a far more complex determination of sustainability that takes into account multiple country indicators. Jubilee questions the concept of "debt sustainability" altogether for impoverished countries, especially in light of the AIDS pandemic and the desperate need for countries to have sufficient resources to address this health crisis. For a copy of the paper, check out [www.imf.org](http://www.imf.org). For the Jubilee analysis, contact the national office at 202-783-0215.

The IMF also released its regular six-month review of HIPC (the Heavily Indebted Poor Country Initiative that provides debt relief) and it found the same thing it has found in the past two reports: HIPC is failing to bring countries to a sustainable level of debt, even under the limited definition of "sustainability" the IMF uses. Jubilee asks again, when will the IMF and World Bank give up on HIPC and simply provide full debt cancellation without structural adjustment conditions? For a new report by Jubilee UK on the IMF and World Bank's ability to pay for 100% debt cancellation, please see the Jubilee Research website at [www.jubileeresearch.org](http://www.jubileeresearch.org)

### Heads up for Policy in 2004

Jubilee is excited about several new policy opportunities coming up in 2004. Jubilee will be working on a new piece of legislation that calls on the IMF and World Bank to cancel 100% of the debts owed by 50+ countries without structural adjustment programs. You can offer comments and critique to the bill through the middle of December. For a copy, please contact Marie Clarke at [marie@jubileeusa.org](mailto:marie@jubileeusa.org). Jubilee will also be working again for passage of an odious debt bill; keep watch for how you can be involved.

To be more involved in following legislation and developing policy positions, feel free to join the Jubilee Policy Working Group. We meet by conference call on the first Tuesday of every month. You can join on December 2 at 3:30 pm Eastern by calling 1-800-261-3225 and pressing pass-code 7044383#. ☒



Jubilee joins hands for economic justice in Cancun at the WTO Ministerial in September 2003.

access to clean and safe drinking water. This process of privatization is happening throughout Latin America. The problem will only get worse with the FTAA.

### Using services to highlight the connections between the FTAA and The WB/IMF:

The IMF and WB have lent incredible sums of money to the countries of Latin America. Almost every loan comes with conditionalities. Most often countries are told to sell their publicly owned services to private corporations. In much of Latin America this has been done. In Guatemala, which is one of the poorest countries involved in the FTAA, the IMF forced the government to sell off their electricity companies, rail service, and postal system to private companies. Mexico has privatized its telephone system. Nicaragua privatized its health and education systems as well as its water in compliance with loan guarantees from the IMF. Nicaragua is a nation where an estimated fifty-percent of the population lives below the poverty line. Around thirty-percent of Nicaraguan children are malnourished. Water user fees have cut off access to clean drinking water to a large portion of the country. These policies cost peoples their lives.

In Cochabamba, Bolivia, a multi-national consortium bought the city's municipal water service in 2000 as part of a WB sponsored privatization plan. As a result the water rates jumped and many people found their water bills equaling a quarter of their monthly income. The city was soon embroiled in civil unrest over the cost of water. The multi-national eventually pulled out of Cochabamba buckling to the public pressure, but not before a young man was shot and killed by police. In October a gas pipeline from Bolivia to Chile sparked a mass popular uprising. The project would have supplied natural gas to Mexico and California. The Pacific LNG consortium has been pushing the plan along with the energy giant Sempra Energy. The project was estimated to cost \$5 billion. The Bolivian Government has been seeking a loan from the IMF to fund the project; the loan would require Bolivia to make "comprehensive" budget cuts. Essentially the government of Bolivia will incur more debt and give the sum of the loan to a foreign consortium of corporations to profit from Bolivian natural resources.



Korean elders give witness to injustices of trade rules in Cancun.

Meanwhile the Bolivian people will endure more cuts to their social services, further harming a deeply impoverished people. Thousands of laborers, unionists, and indigenous peoples took to the streets to oppose the gas pipeline and the government's neo-liberal policies. After a week of mass actions in the cities and countryside of Bolivia the president,

Gonzalo Sanchez de Lozada resigned and Pacific LNG backed out of the project. An estimated 75 people died in the week of protests in Bolivia. As the years pass, a trend becomes obvious. How many more people will lose their lives as a result of free trade and debt burdens? How many more will die standing in opposition to these policies?

Under the FTAA the process of privatization of services will accelerate. A nation will not be able to say no to private foreign companies coming in and privatizing services. Sempra Energy of Southern California is a big proponent of the FTAA. If the FTAA is created Sempra will be able to buy up natural gas reserves throughout Latin America using the IMF to fund the projects in impoverished countries. The US government will not be immune to the FTAA. Corporations will ultimately be more powerful than our government, eroding national sovereignty and our democratic process.

The provisional framework for the FTAA sets the stage for a global pillage of services at the hands of multi-national corporations. Loans will fund projects by foreign corporations, which in turn perpetuates the cycle of debt dependence and underdevelopment. The model of the FTAA feeds off the destruction left by the WB and IMF and expands their policies of privatization. All of this occurs at the expense of health, the environment, labor and the poor. If the poorest nations of the hemisphere are to survive this latest assault, their debts must be cancelled. In addition, IMF and WB structural adjustment programs must be stopped. It is as important as ever for the international community to call for debt cancellation. From every direction the sovereignty of the nations of Latin America is being eroded. When the Ministers from the 34 nations of the FTAA meet in Miami November 19-22 those demanding debt cancellation have as much purpose in opposing the trade agreement as those in the trade justice movement.

Watch our web site ([www.jubileeusa.org](http://www.jubileeusa.org)) for a report from Miami.

### For more information on the FTAA please see the following:

- Public Citizen Trade Watch: [www.tradewatch.org](http://www.tradewatch.org)
- Citizens Trade Campaign: [www.citizenstrade.org](http://www.citizenstrade.org)
- AFL-CIO: [www.aflcio.org](http://www.aflcio.org)
- Stop the FTAA: [www.stopftaa.org](http://www.stopftaa.org)



# Mark Your Calendars!

## 2004 Shaping Up to Be An Exciting Year for Jubilee Justice!

2004 IS SHAPING UP TO BE A KEY YEAR in the movement for debt cancellation and global economic justice. There are a number of exciting conferences, official meetings, and action opportunities that you should be aware of next year – including a G-8 meeting here in the US and the 60th Anniversary of the IMF and World Bank! Also, 2004 is a Presidential election year, so we will be working throughout the year to raise the issue of debt, especially as it is linked to the global AIDS crisis, with all of the candidates. Watch this space and [www.jubileeusa.org](http://www.jubileeusa.org) for all the latest on the events below, or e-mail [neil@jubileeusa.org](mailto:neil@jubileeusa.org) or call (202) 783-0129 for more information.

### December 2003

#### December 1 – WORLD AIDS DAY

2003 isn't over yet and World AIDS Day is an excellent opportunity to organize educational events and actions on the linkages between global AIDS and debt. For a list of World AIDS Day events by Jubilee Network members and ideas for actions you can take in your community, see: [www.jubileeusa.org/worldaidsday.htm](http://www.jubileeusa.org/worldaidsday.htm)

### January 2004

#### January 25 – JUBILEE SUNDAY

Start talking with your pastors and ministers now to get a Jubilee-inspired sermon onto the liturgical calendars for your church or churches in your area on January 25, Jubilee Sunday! Sermon notes and suggestions for Pastors are available on the Jubilee website, and Jubilee Sunday is also an excellent opportunity to encourage your church to become a Jubilee Congregation. Visit [www.jubileeusa.org](http://www.jubileeusa.org) and click on "Jubilee Congregations" for more information.

### March 2004

#### March 5-8 – ECUMENICAL ADVOCACY DAYS FOR GLOBAL PEACE WITH JUSTICE

Come to Washington for the second annual ecumenical gathering concerning urgent global issues. This year's conference will feature a special track on Jubilee and economic justice and will offer challenging speakers, issue briefings, advocacy training workshops, and an opportunity to meet your member of Congress. See [www.advocacydays.org](http://www.advocacydays.org) or call 202-547-7503 for more information and to register today!

### April 2004

#### April 24-25 – SPRING MEETINGS OF THE IMF/WORLD BANK

2004 is the 60th Anniversary of the founding of the IMF/World Bank and many groups are coming together to use the opportunity of the 60th to strengthen the call for debt cancellation and for an end to the institution's harmful economic policies. Stay tuned for all the latest, but mark your calendars to be in DC in April for special Jubilee events or to organize local education and media events in your own town, and to watch out for opportunities for action all year long!

### June 2004

#### June 8-10 – G8 SUMMIT IN SEA ISLAND, GEORGIA

The Group of 8 rich nations are the ultimate decision-makers on matters of life and debt. This year they bring their annual meeting to the US – to the sunny, exclusive shores of Sea Island, GA. Jubilee will be partnering with other groups to use the G-8 meeting as an opportunity to catapult the issue of debt cancellation and Jubilee justice back into public view – and to the attention of the world's leaders. Check out the official US government site at [www.g8usa.gov](http://www.g8usa.gov). ☐



Across the generations Jubilee speaks out.

*“Structural Adjustment Policies have left Senegal without a coherent agricultural policy, increased the country’s food insecurity and ruined thousands of rural households.”*

*– Madicke Niang, Senegalese agricultural specialist and consultant to the Government of Senegal*

and deregulation combined with the dismantling of the Senegalese public sector, from the mid-1980s to the late 1990s, led to the collapse of both the agricultural and industrial sectors. The agricultural sector, which employs more than 70 per cent of the population, has been severely affected by liberalization and the dissolution of many state controlled enterprises (known as parastatals). As a result, peasants and small-scale farmers have seen their livelihoods deteriorate in the face of the invasion of the domestic market by cheap and subsidized imports from developed countries.

It is against this background that Senegal entered into the Heavily Indebted Poor Countries (HIPC) Initiative, in June 2000, following its submission of an interim Poverty Reduction Strategy Paper (I-PRSP). Under HIPC, Senegal's debt is expected to be reduced by US\$850 million, US\$488 million in Net Present Value (NPV) terms, over a 10-year period. However, reaching the 'Completion Point' and receiving this debt relief (which will account for only 17 per cent of Senegal's total debt) is contingent upon fulfilling a range of structural policy conditions set by the World Bank and IMF. In other words, debt relief is being used as yet another lever with which the IMF and World Bank can push through more free market policy reforms.

This is despite the evidence that the past twenty years of IMF and World Bank policies in Senegal have been unsuccessful in significantly reducing poverty. Low or stagnant economic growth, a deterioration in some social indicators and only modest improvements in others has characterized the period of 'structural adjustment'. For example, the percentage of the Senegalese population that is undernourished has increased over the past 10 years



Demba Dembele speaks at a Jubilee event in Washington, DC, in 2002.

from 23 per cent in 1990/92 to 25 per cent in 1998/00.

Poverty is now so widespread that nearly 80 per cent of the population lives on less than \$2 a day. In some areas, Senegal's social indicators are below the average for Sub-Saharan Africa. In health and education, Senegal ranks low on the continent's development scale.

With the advent of 'country owned' Poverty Reduction Strategy Papers (PRSPs), the World Bank and IMF claim to be implementing policies supported by the public. Yet the reality in Senegal is that the PRSP is mostly inspired by the macroeconomic policy framework proposed by the IMF and the World Bank.

Despite the rhetoric of 'national ownership', the Senegalese PRSP, like other African PRSPs, reflects more the views and priorities expressed by these two institutions than the priorities identified by the poor and other vulnerable groups.

In conclusion, it is clear that more of the same policies will only lead to an impasse and to a further disintegration of the Senegalese social fabric. There is a need to contemplate alternative policies, that are genuinely home-grown and reflect the fundamental interests of the Senegalese people, especially the poor, who are the overwhelming majority of the population. The Senegalese Government must strive for independence in its policy-making. In concert with its partners within the Economic Community of West African States (ECOWAS), Senegal should accelerate the integration of the sub-region in order to increase its chances of resisting IMF and World Bank pressure and formulating policies that respond to its citizens' concerns and provide their basic needs.

At the same time, industrialized country governments need to fundamentally rethink their approach to the World Bank and IMF. Through their decision-making power in the international financial institutions, governments such as the US and UK - are ultimately responsible for the policies pushed by the Bank and the Fund.

*The report from which this edited summary is drawn, Debt and Destruction in Senegal: A study of twenty years of IMF and World Bank policies, was published by the World Development Movement (WDM) in October 2003. An electronic version of the full report is available on WDM's website at <http://www.wdm.org.uk>, or contact [tim@wdm.org.uk](mailto:tim@wdm.org.uk) to order a hard copy. The author, Demba Moussa Dembele, is Director of the Forum for African Alternatives in Dakar, Senegal, and is a Jubilee USA Network partner. ☐*