
DEBT BOOMERANG

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***How Americans
Would Benefit from
Cancellation of
Impoverished Country Debts***

**By Sarah Anderson
and the
Global Economic Justice Task Force
of the
Institute for Policy Studies**

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This paper is a work in progress designed to spark debate and discussion that will inform future drafts and shorter educational materials, as well as related IPS activities to engage policymakers on global economic justice issues.

Please submit comments to: Sarah Anderson, saraha@igc.org or tel: 202 234-9382 x 227.



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Institute for Policy Studies

1112 16th St. NW #600, Washington, DC 20036

tel: 202 234 9382, fax: 202 387-7915, web: <http://www.ips-dc.org>

About the author

Sarah Anderson directs the IPS Global Economy Project. She is a co-author (with John Cavanagh and Thea Lee) of the *Field Guide to the Global Economy* (New Press, 2005) and was a member of the staff of the International Financial Institutions Advisory Commission (the Meltzer Commission). She has published extensively over the past dozen years on the impacts of economic globalization at home and abroad.

The **IPS Global Economic Justice Task Force** also includes: IPS Director John Cavanagh; Foreign Policy In Focus staff Emira Woods, Erik Leaver, Emily Schwartz-Greco and Miriam Pemberton; Cities for Progress Field Director Malia Lazus; Sustainable Energy and Economy Network staff Daphne Wysham and Nadia Martinez; and IPS interns Hilda Gutierrez, Angela Walker, and Sabrina Zajak.

Acknowledgments

This report was inspired by and draws heavily from a previous book by Susan George and published in 1992 by our sister organization, the Transnational Institute in Amsterdam. In fact, Susan was kind enough to allow us to plagiarize from the title of that book, which is *The Debt Boomerang: How Third World Debt Harms Us All*. The 1992 publication was the outcome of a research project conducted by TNI and IPS involving experts on a wide range of issues. We are indebted to Susan George and the other contributors to that path-breaking book.

We were also inspired in this effort by the larger "US in the World" initiative of the Aspen Institute, the Rockefeller Brothers Fund and dozens of collaborating groups who are seeking new ways to speak to people in the United States about the need for a more responsible U.S. engagement with the world. This report is an effort to engage the U.S. public around their own self interests in addressing debt and poverty in creative ways. (See Rockefeller Brothers Fund and The Aspen Institute, "US in the World: Talking Global Issues with Americans: A Practical Guide," 2004).

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Methodology

To study the impacts of debt, we developed a sample of 77 countries in two categories:

1. 67 countries identified as ones that require immediate debt cancellation in order to meet the Millennium Development Goals. This list is drawn from a study by three British nongovernmental organizations¹ who based their calculations on the UN Millennium Project's estimate that low-income countries will need \$40 to \$50 per person in external resources in 2006, rising to \$70-\$100 in 2015, in order to meet the MDGs.² While some of the countries surveyed, such as India, do not have exceptionally high debt-GDP ratios, they were included if debt cancellation was deemed necessary to fill financing gaps caused by insufficient household, government and foreign aid contributions.
2. 10 countries that are widely recognized as ones burdened by "odious" debts accumulated under non-democratic governments. (Many of the other 67 countries also have odious debts.)

Throughout this study, these 77 countries are referred to as "heavily indebted countries." (see full list and reasons for inclusion in Appendix 1) This should not be considered a comprehensive list of countries deserving of debt relief, but rather a representative sample. Where possible, the report analyzes data for the period from 1980, before the debt crisis broke in 1982, to the most recent year.

SUMMARY

Unmanageable foreign debts are dragging down many of the most impoverished countries in the world. This report looks at 77 countries that owe a combined total of \$1.25 trillion to rich governments and institutions like the World Bank and International Monetary Fund. Sixty-seven of them need debt cancellation to achieve the UN Millennium Development Goals, while the other ten are saddled with “odious” debts accumulated under dictatorships.

The impacts of these debts are most direct and life-threatening in the Global South, but they also boomerang back to our own country. For people in the United States, joining the global calls for debt cancellation is the right thing to do. And as this study shows, it is also in our interest.

IMPACTS OF IMPOVERISHED COUNTRY DEBTS

On Impoverished Countries	On the United States
JOBS	
<p>Manufacturing wages dropped in 69% of heavily indebted countries in the 1990s, compared to only 35% of other low- and middle-income countries. The World Bank and IMF routinely require debtor countries to limit pay for government employees and to "privatize" state enterprises, which results in mass layoffs.</p>	<p>Declining wages in heavily indebted countries boomerang back to Americans through increased competition with cheap imports and job loss to lower wage countries. The burden of debt also means less money to buy U.S.-made products. Heavily indebted countries' share of U.S. exports dropped from 11.1% in 1980 to 7.7% in 2003.</p>
HEALTH	
<p>Nearly 70% of heavily indebted countries spent more on debt interest payments than on public health in 2002. Systematic under-investment in health has crippled their ability to respond to the AIDS epidemic that killed 2.2 million sub-Saharan Africans in 2003, to fight diseases like tuberculosis and malaria, and to provide routine preventive care. A severe “brain drain” of frustrated health professionals is one more link in a vicious cycle that incapacitates impoverished country health systems.</p>	<p>U.S. taxpayers contribute several billion dollars per year to help heavily indebted governments fight diseases. This aid is vital, but the problems are still severe, and sometimes boomerang back. There were 15,000 new tuberculosis cases in the US in 2003, and more than 1,000 Americans per year contract malaria in developing countries. Weak health infrastructure in impoverished countries also increases the odds that diseases like avian flu will spread to the United States.</p>

<p style="text-align: center;">On Impoverished Countries</p>	<p style="text-align: center;">On the United States</p>
GLOBAL WARMING	
<p>Extreme debt burdens pressure governments to exploit resources for export. Heavily indebted countries make up 15 of the top 20 deforesters. Climate change is already damaging agriculture and contributing to the spread of disease.</p>	<p>The US needs to change its own energy practices to reduce climate change, which is causing more intense storms like Katrina. But our response should also include debt cancellation to allow poor countries more flexibility in handling their resources.</p>
GLOBAL INSECURITY	
<p>Heavy debts make it more difficult for governments to prevent and recover from war and conflict. They also make it harder to afford a social safety net, leaving the poorest more vulnerable to criminals, from traffickers to terrorists.</p>	<p>Debt-linked poverty doesn't always lead to violence. But, combined with other factors, it can create more fertile recruiting grounds for terrorists and other criminals who often operate across borders.</p>
IMMIGRATION	
<p>Millions of people in heavily indebted countries lack the rights to access to adequate housing and income that would allow them to stay in their home country. Those who wind up as undocumented workers in the US are vulnerable to employer abuse and painful separation from family.</p>	<p>The U.S. government response to immigration pressures has created a negative boomerang effect. As much as \$3 billion has been spent annually on anti-immigrant measures — 3 times what was spent on U.S. vocational education and workplace health and safety.</p>

INTRODUCTION

Many Americans can relate to the feeling of drowning in debt. Credit card companies have pushed high-interest plastic on young people to the point where 18-24-year-olds now spend an average of one third of their income on debt payments. Predatory lenders take advantage of relatively high unemployment among low-income African-Americans and Latinos to push loans at usury rates. And about 1.5 million Americans file for personal bankruptcy per year – half of them because they can't pay their medical bills.³

If you fell into a debt hole because you couldn't find decent work, got sick, or were snookered by an irresponsible lender, you would likely be angry – and justifiably. But imagine for a minute how you might feel if you weren't even the one who took out the loans that were making your life hard? What if it was your government? And what if the government that took out the loans was not elected by the people but took power by force? And what if the loans were spent not on education or other productive investments, but instead were wasted on palaces or boondoggle projects? What if the debts existed before you were even born?

These are the types of debts that are dragging down many of the most impoverished people in the world. During the 1960s and 1970s, rich country lenders encouraged developing country governments, including many brutal dictatorships, to take on large debts that have since snowballed to unmanageable levels. This report focuses on 77 countries, which are referred to throughout this report as “heavily indebted countries,” that have a combined total debt burden of \$1.25 trillion. They include 67 countries that have been identified as ones that need immediate debt cancellation in order to have any hope of achieving the Millennium Development Goals – targets set by the United States and most other countries through the United Nations to cut extreme poverty in half and achieve other social goals by the year 2015.⁴ These 67 impoverished countries have a combined external debt of \$819 billion.

Also included in the sample are 10 countries widely recognized as ones strapped with debts accumulated under dictatorships (often called “odious” debts). These countries' debts total \$432 billion. The combined debt burdens of the 77 countries in our sample amount to about half of the \$2.5 trillion owed by all 153 developing countries in the world.⁵ (see “Methodology” on p. i for more details).

Is All Debt Bad?

As any Mom & Pop knows, borrowing is often an unavoidable part of running a successful business. Most parents understand the long-term value of college loans. Impoverished countries also need and should have access to credit for productive investments. But the current reality is that new loans are too often used merely to help pay off old loans, many of which were illegitimate in the first place. On average, low-income countries spend about \$100 million per day just to pay the interest on these loans.⁶ This means that many governments, particularly in Africa, spend more money per year servicing their debts than they do on health or education for their people.

The Boomerang Effect

The burden of these debts is not just on the backs of people in the Global South. Although the impacts there are much more direct and life-threatening, they can be felt in

our own country as well. With facts and specific examples, this report shows how these problems come back to strike us in our own country in five major ways:

1. Lost Jobs and Markets
2. International Health Undermined

3. Global Warming
4. Global Insecurity
5. Immigration Pressures

Most Americans know intuitively that today's world is an interconnected place. It is our hope that this report may help raise awareness of how much our welfare and the welfare of people in impoverished countries are linked. Canceling developing country debts is not only the moral and just thing to do. It is also in our interest.

Does Debt Cancellation Work?

Heavy debts are only one obstacle to progress in the Global South. Major changes are also needed in the international financial institutions that govern the global economy and in the international trade rules that favor global corporations over the rest of us. And at home and abroad, efforts to promote social goals through debt cancellation and other types of assistance will be vastly more effective if combined with good governance. We urge readers to consider some of the many well thought-through proposals for change and become engaged in seeking solutions to these problems.⁷

Just as debt is not the root of all problems, neither is debt cancellation a panacea. There will always be some corrupt leaders who prefer to use the proceeds to buy weapons or build palaces rather than improving their people's lives. But even the small amount of debt relief given so far has led to remarkable results. For example:

- more than doubling school enrollment in Uganda,
- eliminating fees to allow 1.6 million Tanzanian children to return to school,
- a 50% increase in education and health spending in 10 African countries,
- programs that have successfully stabilized HIV rates in Burkina Faso,⁸ and
- plans to add more than 4,500 teachers and 800 medical personnel in Zambia.⁹

Further debt cancellation would give impoverished country governments a better chance of reducing inequality and protecting the environment in their countries.

A Critical Moment for Debt Cancellation

As Susan George wrote 14 years ago in the original *Debt Boomerang*, "Perhaps if enough people in the North realize that the Third World debt crisis is their crisis as well, they will insist on radically different policies. They will speak out and will seek to join with similar forces in the South." Since that time, many people have spoken out, and there have been positive changes. In 2005, the Group of Eight (G8) rich countries agreed to cancel the debts of 18 developing countries. This plan set an important precedent, but is flawed because it comes with onerous conditions and leaves out many countries that need full cancellation now. Building on this momentum is critical. The Bush Administration already committed to do more when it endorsed the 2000 UN Millennium Development Goals, which include a pledge to cut global poverty in half by 2015 through debt relief and other assistance. If these goals are to be reached, we must amplify our calls now for a better and broader plan for debt cancellation.

As we hope this report makes clear, we all have a stake in this struggle.

Boomerang 1: **LOST JOBS AND MARKETS**

As mountains of debt drag down people in impoverished countries, U.S. workers are undermined by competition with those in the Global South who make pennies per hour without basic labor protections and by weak demand for U.S. products.

1. Extreme Debt Burdens Drive Down Wages

Debt held by impoverished country governments is one of a number of factors that makes it hard for workers to earn decent wages – in those countries and in the United States. Heavily indebted countries invariably become dependent on the World Bank and International Monetary Fund for new loans to pay off their old loans or to meet basic expenses. In exchange, these institutions tell countries, in the words of Susan George, to: “Export More, Spend Less.” They demand deep cuts in government spending so that the countries have more resources to repay their debts.

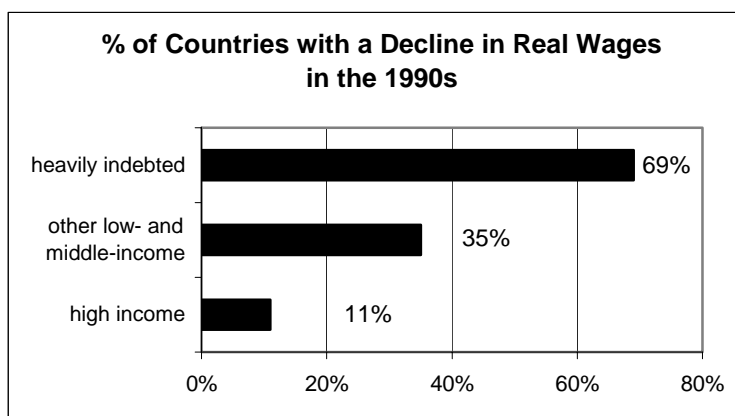
Routinely, the World Bank and IMF require borrowing countries to limit the amount they pay government employees. This means that public sector jobs, traditionally a source of stable, decent income, often become poverty jobs. In 2004, for example, the IMF pressured the government of Zambia to freeze public sector wages, sparking the country’s first nationwide strike in 16 years.¹⁰ In Iraq, where poverty is one factor contributing to continued unrest, the IMF has set targets for public-sector salaries and pension payments that would reduce their share of GDP from 16% in 2005 to 13% in 2006 and 11% in 2010.¹¹ These institutions also praise governments that eliminate all kinds of worker protections, from unemployment insurance for part-time workers to maximum work hours.¹²

In addition, the World Bank and IMF typically demand that governments sell off or “privatize” state enterprises, like telecommunications, utility companies and other services to get quick access to capital and to save on government expenses in the short term. This usually results in massive layoffs that drive up unemployment, which in turn drags down wage levels. Job creation in the private sector has not made up the gap. According to the International Labor Organization, unemployment increased in every region of the developing world except the Middle East/North Africa between 1994 and 2004.¹³ Privatization of essential services, such as water, also often leads to increased fees and reduced access for the poor.

Debt burdens also put extreme pressure on governments to increase exports in order to bring in foreign exchange needed for paying off loans. This, in turn, puts the squeeze on export industries to make their products more competitive. One of the few production costs that firms control and can reduce is wages. This is why one often sees wages falling not only in public enterprises, but also private firms in heavily indebted countries.

The 77 heavily indebted countries in our sample (see “Methodology” on p. i) were far more likely than other low- and middle-income countries to have had declines in the value of real manufacturing wages in the 1990s. The International Labor Organization has published data for 29 of the heavily indebted countries (see details in Appendix 2).¹⁴ Of these, 20 (or 69%) experienced a decline in the value of real manufacturing wages. By contrast, among the 51 other low- and middle-income countries for which data were

available, only 35% experienced a decline in real wages during the 1990s. Among high-income countries, the rate was even lower, at 11%.



Source: Based on data from the International Labor Organization.

Many Countries Still Below 1980 Levels

IPS researchers focused their analysis on the 1990s because earlier data were not available for many countries. However, it is important to note that several of the countries which registered real wage increases during the past decade have still not achieved the levels they enjoyed in the 1980s, prior to the debt crisis. For example, as of 2001, Argentina's real wages were 3.6% higher than in 1990, but were still 22.3% lower than in 1980. In fact, of the 7 Latin American heavily indebted countries included in the ILO database, only two (Brazil and Paraguay) have had an increase in real wages since 1980.

Impact on Impoverished Countries

A decline in the value of real wages means that people's paychecks can buy fewer things they need. Families must make increasingly tough decisions about how to spend their income, often having to choose between such essentials as food versus school fees for their children.

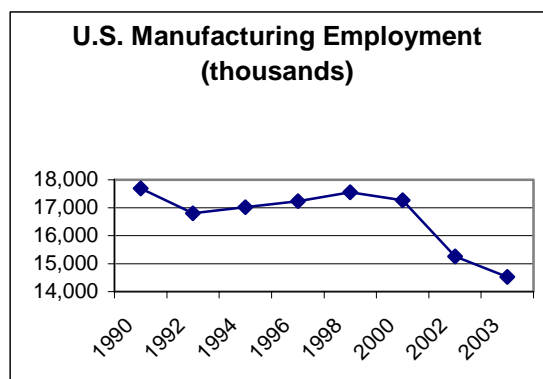
Impact on the United States

Declining wages in the Global South boomerang back to the United States in two ways that hurt U.S. workers. First, U.S. workers face increased competition with imports that are cheaper because of the lower wages. Second, U.S. workers lose jobs as firms shift production from the United States to the debtor countries. The World Bank and IMF play a role in both since they demand that impoverished country governments increase exports as well as weaken regulations in order to attract investment. While sub-Saharan Africa has attracted only a small share of this foreign investment due to poor infrastructure and other factors, several of the countries in our debtor sample are now strong competitors to some U.S.-based industries and services.

For example, the Philippines' exports to the United States have climbed dramatically during the past two decades. Whereas the United States had a small surplus with the Philippines in 1980, by 1999 the U.S. trade deficit with that country was \$5.1 billion.

Meanwhile, Filipino real wages dropped by nearly 22%. The fall in wages mandated by the Bank and Fund not only hurts workers in those countries; they become another trade subsidy that hurts U.S. workers.

According to the ILO, U.S. real manufacturing wages rose only 1.1% between 1990 and 2001. Competition with workers in heavily indebted countries is part of the explanation for this meager wage growth at a time of overall low unemployment and strong productivity growth in the United States. During this same period, U.S. manufacturing employment dropped from 17.7 million to 14.5 million, in part due to corporations shifting production to or being hurt by import competition from low-wage countries.¹⁵



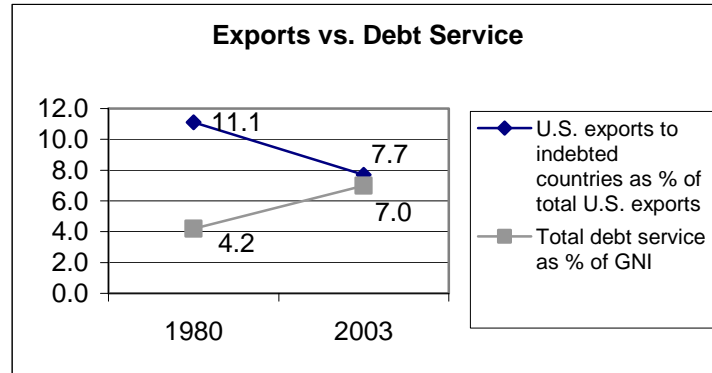
Source: U.S. Department of Labor.

The Labor Department reports that only about 26 percent of laid-off manufacturing workers find new jobs that pay as well or better than their old jobs.¹⁶ One explanation is that virtually all the new American jobs being created are lower-paying service jobs, such as sales jobs at Wal-Mart. And the future looks bleak. Of the 10 occupations projected to increase the most through 2012, five (retail sales, cashiers, food servers, janitors, and waiters) have median pay that is below the poverty line for a family of four.¹⁷

2. Indebted Countries Make Weak Trading Partners

The 77 heavily indebted countries have sharply declined as a share of the U.S. export market since 1980. IPS researchers examined U.S. exports to the 38 countries in our sample for which data were available for 1980 and 2003. U.S. exports to these countries dropped as a share of total U.S. exports from 11.1% to 7.7% (see Appendix 3).¹⁸

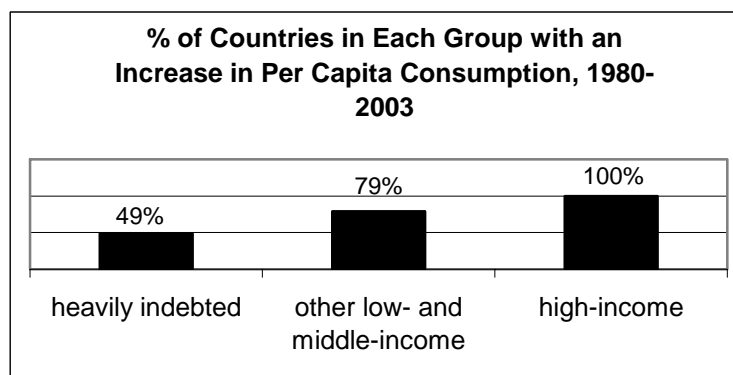
The shrinking of the heavily indebted countries' share of the U.S. export market coincided with an increase in these debtor nations' loan repayments. As a percentage of their gross national income, debt service increased from 4.2% to 7.0% between 1980 and 2003. This is no mere coincidence. Instead of buying U.S. products that support American jobs, more of the nations' resources were flowing into the coffers of rich financial institutions in the North.



Sources: Exports: U.S. Census Bureau. Debt service: World Bank, World Development Indicators Online.

Impact on Impoverished Countries

The fact that impoverished countries are purchasing a smaller share of U.S. exports would not be a serious matter of concern if it only meant that they were importing fewer luxury goods or other unnecessary items. And many would view it as a positive sign if it were a reflection of greater self-sufficiency and less need for products to be shipped around the globe at a high environmental cost. But the reality of the debt burden is that people in these countries generally have less money to purchase basic goods, whether they are produced at home or from abroad. One indicator of this is the decline in wages in the manufacturing sector, as detailed above. In addition, per capita consumption for all households increased in less than half of the countries in our sample of debtors for which data were available between 1980 and 2003. By contrast, per capita consumption increased in nearly 80 percent of other low- and middle-income countries and 100 percent of high-income countries for which data were available during this time period.¹⁹



Source: Based on data in World Bank, World Development Indicators Online (Household final consumption expenditure per capita (constant 2000 US\$))

Debt is a significant factor in this trend as it puts governments in a position in which they face extreme pressure to accept World Bank and IMF loan conditions that require slashing spending on social programs and other types of subsidies. Some of the most onerous are requirements to impose “user fees” on primary education and health care. Having to pay for these services means many families either spend less on basic necessities or simply don’t send their children to school or go to the doctor.

Impact on the United States

American workers benefit when consumers in other countries can afford to buy their products and services. According to the U.S. government, more than 12 million U.S. jobs depend on exports and these jobs pay 13% to 18% more than the average U.S. wage.²⁰ But during the past two decades, imports into the United States have grown much faster than our exports. Between 1980 and 2003, the annual U.S. trade deficit in goods rose from less than 1% of GDP to 5% of GDP. This is a major factor in the drop in U.S. manufacturing employment mentioned previously. The role that debt has played in making developing countries weak trading partners has exacerbated this trend.

3. Debt Burdens Undermine Worker Rights

There are four core labor standards that are recognized by most countries in the world: the rights to freedom of association and collective bargaining, and the bans on discrimination, child labor and slave labor. While member countries of the International Labor Organization are technically obliged to respect these rights, enforcement is often poor, even in rich countries. For heavily indebted poor country governments, the pressure is even stronger to try to attract foreign investment by looking the other way when corporations fire workers for attempting to organize independent unions or violate other basic worker rights.

Although the World Bank and IMF in recent years have officially endorsed the ILO core labor standards, this is often contradicted in policy recommendations. For example, the IMF typically sets wage ceilings for public sector workers and frequently advises governments to tear up collective bargaining agreements if they grant wages that exceed these limits. The institutions also make little effort to ensure that labor rights are respected on projects they fund. For example, a 2004 independent study of World Bank-funded infrastructure projects in Indonesia found widespread use of child labor and discrimination against women.²¹ At the same time, World Bank and IMF-mandated cuts in spending often mean that the poor lose access to education and other services, making them more vulnerable to pressure to send their children to work.

Child Labor in Heavily Indebted Countries	
Country	% of children 5 - 14 years of age working, 2000
Sierra Leone	72
Niger	70
Chad	66
Togo	66
Guinea-Bissau	65
Central African Republic	64
Cameroon	58
Cote d'Ivoire	49
Senegal	40
Comoros	37
Moldova	37
Rwanda	37
Kenya	36
Somalia	36
Burundi	32
Lao PDR	32
Georgia	30
Gambia, The	27
Bolivia	26
Lesotho	25
Tajikistan	25
Uzbekistan	23
Sudan (north)	21
Sao Tome and Principe	20
Madagascar	19
Philippines	17
India	14
Azerbaijan	13

Source: UNICEF. Note: All countries from heavily indebted sample. Since data were available for only 5 other countries, a comparison was not meaningful. Children were counted as working if they were engaged in paid or unpaid work for someone who was not a member of the household, did housekeeping chores for four or more hours per day, or worked for a family farm or business.

Child labor

UNICEF has collected data on child labor for 33 countries, including 28 from our sample of debtor nations. Child labor rates in these countries ranged from 13% to 72% for children 5-14 years of age. Some of the top exploiters of child labor were also some of the most heavily indebted countries. Sierra Leone, with the highest child labor rate — 72% — is ranked fifth in the world in terms of debt as a percentage of GNP. Guinea-Bissau, which ranks fifth in terms of child labor, is the third most heavily indebted country in the world.

Other basic labor rights

Quantifiable, comparative data on violations of the basic trade union rights of freedom of association and collective bargaining are not available. But anecdotal evidence of such violations abounds, particularly in the export processing zones where many of the goods exported to the United States are assembled. Of course indebtedness is not the only factor. Increased competition with China, where independent unions are banned, is also undermining worker rights in heavily indebted countries. Since China was admitted to the World Trade Organization in 1999, producers in impoverished countries around the globe have had to struggle to compete with that country's low labor costs and large-scale production. This has put even more pressure on impoverished country governments to allow labor rights violations in their own export industries.

In addition to the problem of enforcement, national labor laws in many cases are extremely weak. In El Salvador and Nicaragua, for example, workers who are fired for exercising their right to freedom of association have no right to be reinstated. The only possible remedy is a minor fine against the employer.

Impact on Impoverished Countries

Children who must work are robbed of the opportunity to gain the education needed to escape poverty. Often, they are also exposed to dangers in the workplace. Although adult workers face these problems as well, children are more vulnerable. For example, studies have shown that they are more likely than adults to get cancer after being exposed to toxic chemicals, such as pesticides commonly used on farms or industrial solvents.²²

Workers who do not have the right to join a union earn less, work longer, and get less training than their unionized counterparts. This is according to a 2003 World Bank survey of more than a thousand studies on the economic impacts of labor rights. It also concluded that high unionization rates often lead to more equal income distribution, decreased wage discrimination against women and minority workers, and improved national economic performance.²³ Unfortunately, World Bank staff continue to give policy recommendations to governments that directly contradict these findings.

Impact on the United States

Labor rights violations abroad weaken the power of U.S. workers to fight for better wages and benefits in this country. It is tough enough to organize a union to bargain for better wages and working conditions. But when an employer can simply threaten to move the operation to a location where they can more easily bust unions it's much harder. A Cornell University study examined hundreds of U.S. union organizing drives and found that employers tried to fight the union by threatening to move to a developing country in 68 percent of cases in 1999, up from 50 percent in the early 1990s.²⁴

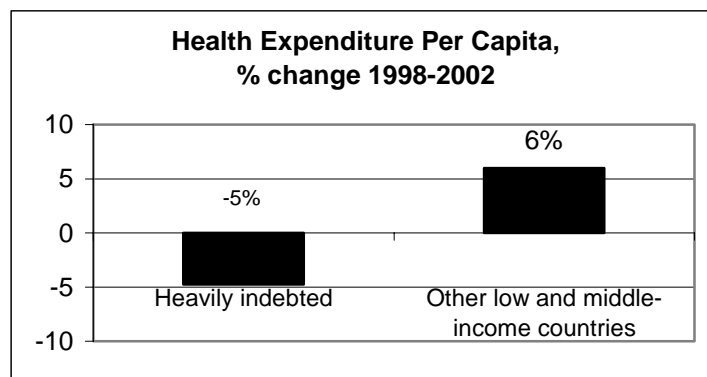
American workers are at a particular disadvantage when they are trying to compete with products made by children, the most vulnerable of all workers. Although accurate data are unavailable, UNICEF estimates that about 10 million children are involved in producing either agricultural or manufactured products for export.²⁵ This creates an unfair competitive advantage over U.S. workers that is perpetuated by the heavy debt burden of poor countries.

Boomerang 2: **INTERNATIONAL HEALTH UNDERMINED**

When impoverished country governments must slash spending to pay the interest on their debts, health care is often on the chopping block. Its main constituency is poor people who tend not to have the political power necessary to protect their interests.

Of the 74 countries in our sample for which data were available, the governments of 50 (or 67%) spent more money in 2002 to service their debts than they spent on public health care. Of these, 26 spent at least three times as much on debt service as on health.²⁶ (see Appendix 4)

Health expenditures per capita in the heavily indebted countries averaged \$74 in 2002, compared to \$205 for the 73 other low- and middle-income countries. Between 1998 and 2002 (the only years for which World Bank data are available), per capita health spending dropped 5% in the heavily indebted countries while rising 6% in the other low- and middle-income nations.²⁷



Source: Based on data from World Bank, World Development Indicators online.

Impact on Impoverished Countries

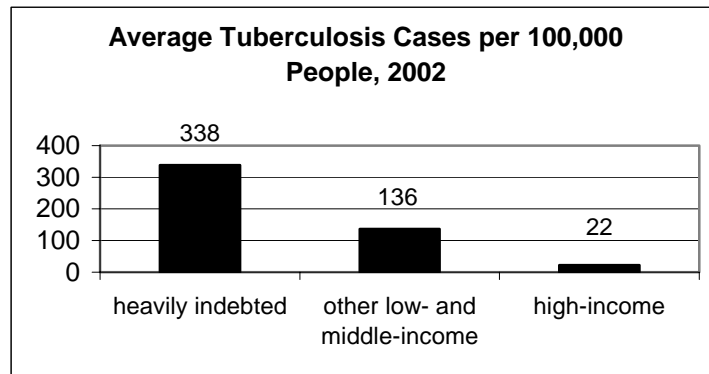
Heavily indebted impoverished countries, particularly in Africa, have been ravaged by the AIDS epidemic. Unable to afford expensive medications, treatments and prevention programs, many countries in Africa now have HIV rates that are 20 or more times that of the United States (see Appendix 4). In 2003 alone, an estimated 3 million people in sub-Saharan Africa became HIV-infected, while 2.2 million died of AIDS.²⁸ In Zambia, where nearly a million people, including 90,000 children, are HIV positive (out of a total population of 10.5 million), the life expectancy has dropped from 60 to 37 years.²⁹

Debt burdens have also undercut the ability of impoverished country governments to tackle diseases that have been all but eradicated for decades in rich nations.

Tuberculosis and malaria are two that continue to claim the lives of millions of people in the Global South every year. As many as 2.7 million people die annually of malaria, 75% of them African children. And since many people aren't able to go to a hospital when they are sick, the actual numbers who succumb to this parasitic disease are likely much higher.³⁰ Malaria also has devastating economic costs. As Jeffrey Sachs points out,

severe malaria outbreaks can “stop a good investment project in its tracks, whether a new mine, farm region, or tourist site.”³¹

According to the World Health Organization, about 2 million people die every year from tuberculosis (TB), a curable respiratory illness that is spread by coughing and sneezing. Heavily indebted countries have far higher numbers of TB cases than other low- and middle-income countries. Among the countries in our sample, the average number of tuberculosis cases per 100,000 people was 338 in 2002, compared to only 136 in other low- and middle-income countries and 22 in high-income countries (see chart below and Appendix 4). TB is also a major cause of death among people living with HIV/AIDS, especially in Sub-Saharan Africa.



Source: Based on data in UN Human Development Report, 2004

Avian Flu

Five of the seven countries that have had confirmed human cases of avian flu since January 2003 are heavily indebted poor countries. While the total deaths from the disease are small relative to AIDS, more than half of those infected have died, and scientists have serious concerns that the virus could mutate to spread more easily from one person to another. Preventing a worldwide outbreak and millions of deaths could depend on the capacity of impoverished country governments to monitor and contain outbreaks. But according to the World Health Organization, developing countries are particularly ill-prepared for this challenge, and if a pandemic should occur, they likely would have no access to vaccines and antiviral drugs.³²

Human Cases of Avian Flu

Jan. 2003 – Feb. 20, 2006

(shading indicates heavily indebted poor country)

Country	Cases	Deaths
Cambodia	4	4
China	12	8
Indonesia	26	19
Iraq	1	1
Thailand	22	14
Turkey	12	4
Vietnam	93	42
Total	170	92

Source: World Health Organization.

Brain Drain

As the burden of debt siphons money away from investments in healthcare, it drives many frustrated developing country health professionals to seek better pay and working conditions in rich countries. There are more doctors from Sierra Leone practicing in Chicago than in their home country.³³ The Philippines has experienced such an exodus of nurses that officials warn the country's health care system will collapse if the trend continues. In fact, overseas nursing positions are so lucrative by Filipino standards that thousands of doctors in that country are getting nursing training every year in order to obtain jobs abroad.³⁴ This "brain drain" is one more link in a vicious cycle that incapacitates poor country health systems.

Impact on the United States

Health problems in impoverished countries boomerang back to the United States in at least four ways. First, U.S. taxpayers have contributed billions to help support developing country governments in combating epidemics. In 2005, the U.S. Congress allocated \$2.7 billion in foreign aid to fight HIV, malaria and tuberculosis. This aid is vital, but still may not be enough to conquer these problems given the fragile state of many countries' health infrastructure. Lifting debt burdens would increase developing country governments' capacity to control these diseases.

Secondly, widespread disease and illness cripple the workforces of impoverished countries, making it difficult to improve productivity levels and become strong economic partners of the United States. AIDS is particularly devastating because it hits people who are of working age hardest, after the country has invested in their education. On top of the personal devastation and the creation of legions of orphans, the disease hurts businesses and organizations through absenteeism and the loss of skills.³⁵ The ILO estimates that if current trends continue, 74 million labor force participants will have been lost to the epidemic by 2015, two-thirds of them in Africa.³⁶

Third, communicable diseases and dangerous pests are not confined within national borders, especially in today's world of expanded international travel and trade. Coupled with the crisis in health insurance coverage in our country, this poses significant challenges for public health in the United States and for American travelers abroad.

According to the *Journal of the American Medical Association*, tuberculosis, while not widespread in the United States, will never be completely eradicated here unless the disease is eliminated elsewhere.³⁷ The Centers for Disease Control reported 15,000 cases in the United States in 2003. California has been hit hardest, with nearly 3,000 new TB cases reported in 2004, three-quarters of which were among foreign-born people. Of particular concern are the 1%-2% of cases that are resistant to standard antibiotics.³⁸

Improved control of malaria would also be good news for the more than 7 million Americans who travel each year to countries where malaria is a major problem. In 2002, U.S. health officials reported 1,337 cases of malaria among Americans, including eight deaths. All but five of these cases were acquired in countries where malaria is endemic.³⁹ Investment in water and sanitation systems to control disease could have positive spillover effects, for example by making areas more attractive for tourists. This could

boost cross-cultural understanding for Americans as well as incomes for impoverished countries.

The potential risks of avian flu to Americans could far overshadow concerns about malaria and tuberculosis. According to the World Health Organization, the best way to prevent a pandemic would be to eliminate the virus from birds, but this is unlikely to be achieved in the near future. Thus, the welfare of people in the United States and around the world from this deadly disease will depend heavily on the surveillance and logistics capacity of governments in affected areas, which WHO warns is currently insufficient.⁴⁰ A worst case scenario, they caution, would be for the virus to spread to sub-Saharan Africa, where health systems are particularly weak. Continued debt burdens will undermine the ability of governments to meet this challenge.

Finally, fears of health risks related to immigrants, no matter how exaggerated they may be, contribute to isolationist, anti-immigrant sentiments in the United States. As author Noreena Hertz notes, "Each time one of these diseases rears its ugly head it is not only a public health worry, but also more fuel for right-wing, xenophobic rhetoric that claims that we can best fortify ourselves by keeping others out."⁴¹ Indeed, in a recent column on TB in the United States, syndicated conservative commentator Cal Thomas posed the inflammatory question: "If anyone needs another reason to oppose illegal immigration, how about the spread of a deadly communicable disease?" Such fear-mongering misdirects public attention away from the need to improve health-care services for everyone in the United States and from the root causes of migration pressures.

Boomerang 3: **GLOBAL WARMING**

Global warming alarm bells rang louder in the United States than ever before in the aftermath of the devastating hurricanes that struck the southern United States in the fall of 2005. While one can't draw a conclusive link between global warming and a specific weather event, Hurricanes Rita and Katrina fit the pattern identified by scientists of increasing hurricane intensity linked to unusually warm tropical waters.⁴²

The United States is the world's largest contributor to global warming and immediate and drastic action is needed to change our own practices. But since the problem transcends national borders, our response should also include policies like debt cancellation that would relieve the pressure on impoverished country governments to export their natural resources to repay debts.

The debt-environment link goes back to the 1970s and early 1980s, when international institutions encouraged developing country governments to take on debts to finance ecologically harmful projects such as mega-dams and nuclear and coal-fired power plants. As Susan George puts it, "when the bills came due, ever greater quantities of environmental resources had to be cashed in to pay them."⁴³

As the debt burden has mushroomed, these pressures have become even heavier, leading many desperate governments to allow destructive environmental practices from strip mining to over-fishing. This section looks at two types of environmentally damaging practices, deforestation/desertification and oil extraction, that boomerang back to the United States by contributing to climate change.

1. Deforestation and Desertification

Burning fossil fuels (oil, gas, and coal) emits gases, principally carbon dioxide, that form a heat-trapping blanket in the atmosphere, causing global warming and other severe disruptions to the global climate. Forests help mitigate the problem by reducing the concentration of carbon dioxide through the release of oxygen and conversion of carbon into cellulose. But the power of this balancing force is sapped by rampant deforestation. In fact, scientists blame forest loss for about 23-30 percent of all carbon dioxide in the atmosphere.⁴⁴

Debt contributes to the pressures driving deforestation in several ways:

- Countries desperate to increase export earnings are more likely to allow increased exploitation of timber, the clearing of forests for pastureland for beef production, and destruction of mangrove forests for the shrimp industry—all to increase export earnings.
- Debt is also a factor in the poverty that drives people to exploit forest wood for heating and cooking and other means of subsistence.

Fifteen of the top 20 deforesters in the 1990s, measured by total loss of forest land, were heavily indebted countries. Of the top 10, half are also in the top 10 countries in terms of the size of their debt burdens (Brazil, Indonesia, India, Mexico, and Argentina).

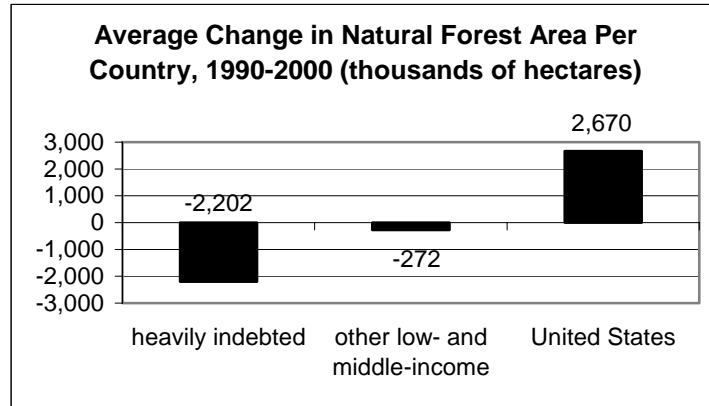
Top 20 Deforesters (ranked by loss of forest land)
(shading indicates heavily indebted country)

	Country	Decline in natural forest area, 1990-2000 (thousands of hectares)	Rank in developing world in total external debt
1	Brazil	-24,443	1
2	Indonesia	-15,831	7
3	India	-14,707	8
4	Sudan	-9,889	32
5	Zambia	-8,528	58
6	Mexico	-6,573	6
7	Myanmar	-5,534	52
8	Congo, Dem. Rep.	-5,325	42
9	Nigeria	-4,214	16
10	Argentina	-3,777	4
11	Thailand	-3,374	11
12	Zimbabwe	-3,221	71
13	Peru	-3,188	21
14	Malaysia	-2,718	12
15	Côte d'Ivoire	-2,696	39
16	Venezuela	-2,675	17
17	Cameroon	-2,220	45
18	Colombia	-1,970	19
19	Bolivia	-1,625	60
20	Ecuador	-1,407	33

Source: World Resources Institute.

By far the leading destroyer of natural forest is Brazil. In need of foreign exchange to pay off its debts, the Brazilian government has allowed massive logging of mahogany for export, which has contributed significantly to deforestation in the Amazon. Although the current government is attempting to control mahogany logging, the world's largest rainforest continues to be severely threatened by agribusiness. In 2003, 10,000 square miles of the Amazon were razed, largely to grow soybeans for export.⁴⁵ In 2004, Brazil became the world's largest beef exporter, thanks in part to the fact that the number of cattle in the Amazon region more than doubled in 2002.⁴⁶

On average, the heavily indebted countries destroyed more than 2.2 million hectares of natural forest area during the past decade, compared to less than 300,000 hectares for other low- and middle-income countries. In the United States, environmental officials boast of our own country's achievement of expanding natural forest area by about 2.7 million hectares. But particularly since newly planted trees soak up less carbon dioxide from the atmosphere than old growth forests, this did little to restore the balance at the global level. The 61 heavily indebted countries for which data were available each destroyed, on average, 2.2 million hectares over the past decade, for a total of more than 134 million hectares.



Source: Based on data from World Resources Institute and World Bank, World Development Indicators online.

Heavily indebted countries also dominate the list of top deforesters in terms of the rate of deforestation. They make up 17 of the 20 countries that have been wiping out their forests the fastest in the world. Three of the countries on the list are in the top five in terms of debt as a percentage of their GNP.

Top 20 Deforesters (Ranked by rate of deforestation)
(shading indicates heavily indebted country)

	Country	% change in land area covered by forests, 1990-2000	Rank in world in debt as % of GNP
1	Burundi	-61.0	4
2	Haiti	-44.3	102
3	El Salvador	-37.3	58
4	St. Lucia	-35.7	
5	Comoros	-33.3	39
6	Rwanda	-32.8	2
7	Niger	-31.8	65
8	Togo	-29.0	56
9	Cote d'Ivoire	-27.1	34
10	Nicaragua	-26.4	50
11	Sierra Leone	-25.5	5
12	Nigeria	-22.8	65
13	Mauritania	-22.5	43
14	Malawi	-21.6	76
15	Zambia	-21.4	90
16	Belize	-20.9	
17	Benin	-20.8	85
18	Samoa	-19.2	
19	Liberia	-17.9	36
20	Uganda	-17.9	89

Source: Based on data in World Bank, World Development Indicators online.

Desertification

When trees are removed, topsoil in arid areas can blow or wash away, making land useless for agriculture. This process, called “desertification,” is most threatening for Africa, where two-thirds of land is desert or drylands and a high percentage of the people are dependent on natural resources. But the problem is also global. It is projected that between 1990 and 2025, the land area suitable for agriculture will have declined by two-thirds in Africa, one-third in Asia, and one-fifth in South America.⁴⁷

2. Oil Extraction

The U.S. government, working together with the World Bank and IMF, has used debt as a lever for pushing impoverished countries with oil reserves to accelerate extraction. The financial institutions have touted this as a ticket to prosperity and a sure way to meet loan payments. In Ecuador, the IMF even demanded the creation of an “oil stabilization fund,” through which a certain percentage of surplus oil revenues would be set aside for debt service. For the U.S. government, this pressure on debtor countries has advanced an energy strategy focused not on reducing oil dependence, but on simply diversifying the U.S. oil supply away from the Middle East.

Thus, it should not be surprising that heavily indebted countries’ oil production is growing unusually rapidly. Looking at the period 1987 to 1996, World Bank economist William Easterly found that “the average growth in oil production is 6.6 percentage points higher in the HIPCs [participants in the World Bank and IMF Highly Indebted Poor Countries initiative] than in the non-HIPCs.”⁴⁸

Without the burden of debt, countries would be in a better position to manage this limited natural resource more responsibly. Also, by adding to the supply of oil in the global market, the current approach encourages continued wasteful oil use throughout the world. This in turn contributes to global warming. Scientists predict that fossil fuel use, together with deforestation and other contributing factors, will cause the average temperature of the planet to increase by more than 5° before the end of the century.

Impact on Impoverished Countries

Debt burdens make impoverished countries not only more likely to contribute to global warming through unsustainable exploitation of natural resources, but also less equipped to handle the problems that result from it. And there is growing evidence that they are already being affected by changing weather patterns. For example, as temperatures rise, disease-carrying pests move into new areas. According to the Sierra Club, this could explain why Kenya experienced an outbreak of malaria in a previously unaffected area in 1997. In Zambia, droughts during the 1990s completely dried up wetlands along the Zambezi River. In the Pacific, rising sea levels are flooding low-lying islands.⁴⁹ As global warming continues to affect human health and agricultural production, heavily indebted countries will be seriously handicapped in their efforts to adapt and respond.

According to the organization Oil Change International, the sad irony is that increased oil production has not even helped reduce impoverished country debts. In fact, the more

dependent a country is on oil exports, the deeper in debt it tends to be. This is largely explained by volatility in the oil market and lenders in the North being overeager to provide loans to nations perceived as rich because of their oil.⁵⁰ The report, “Drilling into Debt,” also cites evidence that countries which rely on oil exports tend to suffer from unusually high rates of corruption, poverty, authoritarian government, military spending, and civil war. Oil production and trade can also cause severe environmental damage. The dumping of oil waste, pollution associated with oil production, and oil spills destroy surrounding wildlife and habitat. In Nigeria, for example, the impoverished communities in the oil-rich Delta region have charged that oil production there has destroyed the environment, making it unusable for local farmers and polluting the air and water.

Likewise, deforestation and desertification have severe impacts beyond the problem of global warming. Deforestation reduces biodiversity and destroys the livelihoods of people, many of them indigenous, who rely on forest products. Desertification makes land unusable for agriculture, contributing to water scarcity, famine, migration and tensions over productive land that can even lead to civil strife.⁵¹ The dollar costs to communities around the world affected by desertification is estimated at \$42 billion per year.⁵²

Impact on the United States

More intense storms like Hurricane Katrina are only a part of the potential dangers that global warming poses for people in the United States. The Union of Concerned Scientists has identified a number of potential risks if trends continue, including:

- More heat-related illnesses and deaths, particularly in the urban centers of the southern United States;
- Decreased air quality;
- Increased risk of illness from contaminated shellfish due to harmful algae linked to warmer coastal waters; and
- Increased risk of other diseases due to groundwater contamination linked to extreme rainfall and higher water temperatures.⁵³

Harvard scientists have already linked recent U.S. outbreaks of dengue fever, malaria, and other diseases to climate change. Seven New Yorkers died in 1999 due to an outbreak of West Nile virus after a warm winter and prolonged drought. Because the winter of 2000 was also mild, the pests survived and the city experienced another outbreak the following summer.⁵⁴

Americans also pay additional costs for deforestation and desertification in the Global South. Deforestation leads to loss of biodiversity, meaning that plant and animal life that could contribute to future food production and medicinal cures through genetic science are lost. Desertification, by wiping out the livelihoods of massive numbers of people who depend on agriculture, fosters a long-term dependency on aid from the United States and other richer nations.

Boomerang 4: **GLOBAL INSECURITY**

In a speech not long after the September 11 attacks, then Secretary of State Colin Powell stated that terrorism “flourishes in areas of poverty, despair and hopelessness.”⁵⁵ Other world leaders have echoed Powell’s notion of a link between global security and poverty.

Since debt burdens contribute to poverty, does it follow, then, that canceling developing country debts would make Americans safer? This section attempts to shed some light on the role of debt in two different types of security problems. The first is the problem of internal conflict—the civil wars and ethnic clashes that have ravaged so many of the poorest countries. The second is the type of security problem that is most on the minds of many Americans—international terrorism.

1. Internal Conflicts in the Developing World

Heavy debts make it difficult for governments to prevent and recover from conflict

After World War II, the U.S. government recognized that it was in Americans’ interest to help Europe recover economically from the devastation of war. Between 1948 and 1951, the United States contributed more than \$13 billion (nearly \$100 billion in 2005 dollars) in economic and technical assistance to the war-torn nations. The goal was to prevent further conflicts by bolstering economic and political stability in the region. And it worked. The post-war Marshall Fund gave a critical boost to the European people who then built a society that has remained peaceful and is today a key trade and investment partner of the United States.

Heavily indebted impoverished countries rarely receive such generosity when attempting to recover from periods of conflict. Dan Smith (then of the International Peace Research Institute in Oslo) spelled out one important example from the Philippines in *The Debt Boomerang* (1992). When Corazon Aquino took power after Ferdinand Marcos was ousted, she inherited debilitating conflicts that had festered during the dictatorship. The key conflict at that time was with the Communist Party of the Philippines (CPP), which had carried out a violent struggle for a Maoist rural revolution since the late 1960s. Although grinding poverty fueled support for the CPP, Aquino faced the difficult choice between financing programs to reduce poverty or servicing the country’s foreign debts, which had expanded fourteen-fold under Marcos’ rule. According to Smith, “When the government chose to service the debt, it guaranteed that the war it inherited from the Marcos regime would continue.”⁵⁶

Despite many attempts at peace negotiations over the years, the conflict with the CPP is still ongoing. In addition, the Philippines military has faced escalating clashes with Muslim rebel groups in the impoverished south who are fighting for an independent Islamic state. According to Philippine intelligence, some of these groups have operated training camps for al Qaeda militants from throughout southeast Asia for at least seven years.⁵⁷

With a current debt burden of nearly \$63 billion (the world’s 10th largest), the Philippines has limited capacity to reduce support for terrorism through social

investment. According to a Rand Corporation study, such attempts in the country's southern region have been hampered by insufficient resources. The researchers did find two projects that successfully provided economic alternatives to rural communities where support for terrorist groups had been strong. One banana plantation project resulted in almost 100% employment and, according to the report, "transformed an area previously known as 'the killing fields of Mindanao' into a largely peaceful community."⁵⁸

While the Rand researchers noted that these successes were the exception in the Philippines due to chronic project under-funding and poor implementation, they found more encouraging evidence elsewhere. Particularly in Northern Ireland, there are signs that effective development projects can weaken local support for terrorist activities not only by creating economic opportunities, but also by giving people the chance to address grievances through political processes rather than violence.

Of the 19 major armed conflicts in 2003, 14 involved heavily indebted countries.⁵⁹

It is noteworthy that heavily indebted countries also figure prominently among those that are dependent on the United Nations for help in maintaining fragile peace agreements. They account for eight of the 14 current UN Peacekeeping Missions and 85% of the UN's total 2005-06 peacekeeping budget of \$3.2 billion. The country that will cost the UN by far the most in peacekeeping expenses is Liberia, which is also the world's most heavily indebted country in terms of debt as a percentage of GNP (see box on p. 24).

Of course debt is neither the single nor even necessarily the primary cause of these conflicts. But as Dan Smith puts it: deprivation associated with indebtedness "is the oxygen of the fire of war."⁶⁰ This is not to say that if these conflict-ridden countries' debts were canceled, the violence would immediately stop. This is especially the case if the governments spent the proceeds from debt cancellation on strengthening their military power or if the state is non-functioning, as in Haiti. But lifting these burdens would give failed states a better chance of getting back on their feet and allow the local people to demand different budget priorities that would advance equitable development goals.

Locations of Major Armed Conflicts in 2003
(*shading indicates heavily indebted country*)

Algeria
Burundi
Colombia
India
India-Pakistan
Indonesia
Iraq
Israel
Liberia
Myanmar
Nepal
Peru
Philippines (2 conflicts)
Russia
Sri Lanka
Sudan
Turkey
USA-Afghanistan

Source: Uppsala Conflict Data Project, Uppsala University.

Current UN Peacekeeping Missions
(shading indicates heavily indebted country)

Country	Peacekeeping budget, 2005-06	Debt as % of GNP (world rank)
Liberia	\$760,567,400	1
Haiti	\$494,887,000	102
Congo, Dem. Rep.	\$403,408,500	6
Cote d'Ivoire	\$386,892,500	34
Burundi	\$307,693,100	4
Kosovo	\$252,551,800	
Ethiopia and Eritrea	\$185,993,300	25,63
Sierra Leone	\$113,216,400	5
Lebanon	\$99,228,300	
Western Sahara	\$47,948,400	
Cyprus	\$46,512,600	
Israel-Syria	\$43,706,100	
Georgia	\$36,380,000	95
Timor-Leste	\$1,757,800	
total	\$3,180,743,200	

Source: United Nations.

Heavy debts pressure governments to impose austerity policies that have resulted in riots and violent police crackdowns

As explained throughout this report, the World Bank and IMF require debtor governments to slash spending, often resulting in cuts that hit the poor the hardest. In countries throughout the Global South, people have taken great risks to protest such policies. For example, in July 2005, at least 13 people were killed in massive protests after the Yemen government complied with a World Bank and IMF demand to double fuel prices. This was not an isolated tragedy. According to the World Development Movement, 96 people in developing countries were killed during protests against the World Bank and IMF between 2000 and 2002.⁶¹

Impact on the United States

For those in this country who have family and friends in conflict countries, the horrors of the fighting hit all too close to home. But the only direct connection many Americans have to internal conflicts in the developing world is what they see through the television. And the typically superficial media coverage tends to leave people feeling horrified and yet powerless and detached. But even if they pose little direct physical threat to Americans, it is in our interest to prevent internal conflicts in impoverished countries – for reasons above and beyond humanitarian concerns.

The United States currently pays about 26.5 percent of the cost of UN peacekeeping operations.⁶² Combined with the cost of such activities by regional organizations, the total U.S. contribution to global peacekeeping this year was \$1.23 billion. A more stable world would allow these taxpayer resources to be freed up for other purposes.

U.S. businesses with investments abroad also have a direct stake in preventing internal conflicts. In Argentina, for example, U.S.-owned banks were vandalized and looted

during riots sparked by austerity measures supported by the World Bank and IMF. In Nigeria, U.S. oil companies have faced sabotage by local residents angered by the fact that the country's oil wealth was being channeled to rich companies and financial institutions rather than benefiting local communities.

2. International Terrorism

Lt. Col. Ross A. Brown, whose regiment based in southern Baghdad has faced attacks from Baathist and al Qaeda insurgents, gave a candid interview in the fall of 2005 to PBS's "Frontline" on the links between poverty and unemployment and security. "I go out there ...and I'm saying, 'well, we're bringing you hope,' and they're looking at me like, 'yeah, so?'...What these people want is a job...they don't have a job, so they join the insurgency. Then we kill some of the insurgents or we detain them, and then we grab large numbers of folks, and we add to the insurgency, and the cycle continues."⁶³

Of course poverty, by itself, whether linked to debt or other factors, does not turn people into terrorists. In fact, there is no statistical correlation between indebtedness and violence against Americans. It is striking, for example, that of the 64 significant international terrorist attacks harming a U.S. citizen and/or U.S. facility in 2004, exactly zero occurred in Africa, the most heavily indebted continent.⁶⁴ Earlier attacks on U.S. embassies in East Africa appeared to be masterminded outside the region. Moreover, the terrorist acts of September 11 and the more recent ones in London and Madrid were carried out not by impoverished people from heavily indebted countries, but rather middle class young men living in wealthy nations.

On the other hand, it seems that poverty is one ingredient that, combined with other factors, can create an explosive force that may boomerang back to Americans. James Wolfensohn, as World Bank President in 2002, said that poverty "does not itself necessarily lead to violence, but ... can provide a breeding ground for the ideas and actions of those who promote conflict and terror."⁶⁵

Elsewhere in this section, we describe how al Qaeda operatives have taken advantage of internal conflicts in the Philippines and Liberia to gain support and protection for their training and money-making activities. For their recruiting ground, Islamist militants have relied heavily on Pakistan, according to many security analysts. As al Qaeda expert Peter L. Bergen puts it: "nowhere is bin Laden more popular than in Pakistan's madrassas, religious schools from which the Taliban draw many of its recruits."⁶⁶

Pakistan's government, mired in \$36.3 billion in external debts (the 15th largest in the developing world), provides virtually no social safety net. The madrassas have stepped into the vacuum, offering free tuition and board to thousands of impoverished children. According to P.W. Singer of the Brookings Institution, one of the most popular of these schools receives 15,000 applications every year for 400 slots.⁶⁷ A Pakistan-based research group found that 64 percent of madrasa students come from impoverished peasant families – those who have the least access to education and other services.⁶⁸

Some of these schools have been around for more than 100 years and the majority do not preach violence. Why is it that they are suddenly considered potentially dangerous incubators of terrorism? The answer is not just that the students are poor and therefore vulnerable to being manipulated, since poverty is also nothing new. But it is the combination of economic desperation with the growing anger over U.S. policies in the

Middle East that creates a potential opening for recruiters of foot soldiers for terrorist networks. As a result, there is strong international pressure on the government to do more to crack down on the more militant schools, those which teach that violence against non-Muslims (as well as Muslim sects other than their own) is a religious duty.

According to the Brussels-based International Crisis Group, the government's "failure to tackle the jihadi madrassa is encouraging the growth of Islamist extremism, with all the attendant dangers to Pakistani stability and regional and international security."⁶⁹ But as long as extreme poverty leaves families with few alternatives for education and other services, popular support for these schools is likely to be strong.

Of course it is only a relative few young people who would actually act upon anti-American propaganda they may hear from teachers in Pakistan's madrassas or elsewhere. But, as observed in Pakistan, Iraq and elsewhere, the culture of Islamist extremism, when combined with economic or political marginalization, can create the conditions in which people are more likely to be supportive of terrorists.

Liberia: Dictator Debts Increase Security Risks

International criminals, including an al Qaeda cell, found haven in Liberia during the country's 23 years of conflict. While the recent peaceful election has raised new hopes for the West African country, crushing debts are an obstacle to real peace and security.

Beginning with Samuel Doe's bloody coup in 1980, Liberian strongmen financed more than two decades of dictatorship and civil conflict by amassing a mountain of debt. The West African country today is the world's most heavily indebted nation. According to the World Bank, Liberia had \$2.6 billion in external debts in 2003, making up 680% of GDP. This works out to \$761 per Liberian in a country where average annual income is only about \$100.⁷⁰ The Liberian Central Bank estimates the debt burden to be even higher today, at around \$3 billion.

The ravages of conflict have left the country with an unemployment rate estimated at 85% and ruined education and health systems. With few alternative sources of income, many Liberians have resorted to crime, turning the country into a trading hub for illegal timber, diamonds, and guns.⁷¹ The entire West African region has been destabilized in large part because of Liberia's illicit economy.

Terrorist elements have also been attracted to the lawless area. According to UN war crimes prosecutors, former Liberian President Charles Taylor hosted an al Qaeda cell between 1998 and 2002 that was involved in diamond and gun smuggling to finance the terrorist network. In 2004, U.S. Justice Department officials said they were still trying to capture several top al Qaeda leaders linked to the cell, suggesting it remains a dangerous threat to Americans.⁷²

Despite Liberia's dire economic and security situation, the World Bank and IMF have not deemed the country eligible for debt relief. Lifting the burden of these dictator debts from the backs of the Liberian people should be one part of a broader effort to rectify past injustices and promote security for Liberians and Americans.

Impact on the United States

Since September 11, U.S. government expenditures on security have exploded. According to Steve Kosiak of the Center on Strategic and Budgetary Assessments, U.S. taxpayers have footed the bill for an increase in spending of about \$600 billion to cover the cost of the wars and reconstruction in Iraq and Afghanistan, homeland security, and other Defense Department costs. That's \$600 billion above and beyond the amounts the country had been spending, which already far outstripped the security budgets of other countries in the world.⁷³

In addition, heightened concern over global security has opened the door to a weakening of civil liberties in the United States. Some of the more disturbing changes are the expanded government powers to conduct secret searches and to arrest and detain individuals suspected of being "material witnesses" to crimes without giving them access to a lawyer or permitting them to see the evidence against them.⁷⁴

Debt cancellation for developing countries is one alternative tool in the fight to increase global security. There is no guarantee that it would be a miracle cure. But it could give governments and civil society in impoverished countries a better chance of creating alternatives to violence. In addition, it would go a long way towards improving relations between the U.S. government and developing country counterparts in ways that could promote global security. As John Gershman of Foreign Policy In Focus points out, pro-development policies, including debt cancellation, "would help solidify a worldwide alliance uniting Northern and Southern nations to hold terrorists accountable for their crimes."⁷⁵

Boomerang 5: **IMMIGRATION PRESSURES**

Given a choice, most people would prefer to stay in their home country. And people everywhere are fighting for the right to adequate housing, income, security and other basic needs to allow them that choice. But millions in the developing world are forced to leave in search of better opportunities. They leave for many reasons. But as explained in other sections of this report, debt is one factor in the inability of impoverished country governments to provide an adequate social safety net and a safe environment. Thus, indebtedness can be seen as part of a cluster of “push factors” in immigration.

The U.S. government grants legal residency to about a million foreigners per year, most of them relatives of U.S. citizens. This leaves millions more who are eager to enter our country in the hope of achieving a better life. It is these immigrants who reflect most vividly the desperation of so many in heavily indebted countries. They are the people who take great risks to come to the United States, often crossing the border in the dead of night or putting their fates, and often their life savings, in the hands of smugglers.

For obvious reasons, Mexico is far and away the largest source, representing a full 76% of people living in the United States in 2000 without documentation. Mexico is actually not included in our sample of heavily indebted countries. Even though it has a massive \$140 billion debt load and is extremely poor by U.S. standards, it is not quite as poor or as heavily indebted as the others. And although it is questionable whether the political party that held power for most of the last century was democratic, Mexico is not widely considered an “odious” debt country. However, while it did not meet the criteria for this study, there is a strong argument that reducing Mexico’s debts would have tremendous benefits for Americans, given

**Unauthorized Immigration to the United States:
Top 20 Countries of Origin**
(shading indicates heavily indebted country)

	Country	Unauthorized U.S. residents, 2000 (thousands)	2003 External debt (current US\$)	Debt as % of GNI
1	Mexico	4,808	140,004,000,000	22.8
2	El Salvador	189	7,079,900,000	46.3
3	Guatemala	144	4,981,500,000	20.4
4	Colombia	141	32,979,500,000	43.9
5	Honduras	138	5,641,000,000	83.2
6	China	115	193,567,200,000	13.7
7	Ecuador	108	16,863,700,000	65.5
8	Dominican Republic	91	6,290,900,000	41.1
9	Philippines	85	62,663,200,000	72.4
10	Brazil	77	235,431,000,000	49.6
11	Haiti	76	1,307,500,000	45
12	India	70	113,467,000,000	19
13	Peru	61	29,857,200,000	51
14	Korea	55	n/a	n/a
15	Poland	47	95,219,200,000	46.1
16	Canada	47	n/a	n/a
17	Jamaica	41	5,584,000,000	74.2
18	Trinidad & Tobago	34	2,751,400,000	27.1
19	Venezuela	34	34,850,800,000	42.3
20	Nigeria	32	34,963,100,000	70
	total	6,361		
	total, without Mexico	1,553		

Source: INS Office of Policy and Planning

that our welfare is more intertwined in more ways with our neighbor to the south than perhaps any other poor country.

Among the top 20 source countries of undocumented immigrants to the United States, 9 are heavily indebted (see table on next page). No one would argue that debt is the single push factor. In the case of El Salvador, for example, it was the brutal civil war of the 1980s that drove nearly 300,000 people to flee to the United States without authorization, making it the second-largest country of origin. But political and economic problems tend to go hand in hand. After the 1992 peace agreement, El Salvador's heavy debt burden made it difficult to provide adequate services and sustainable livelihoods. The poverty rate (percentage living on \$2 or less a day) remains about 58%. Thus, even though thousands of undocumented Salvadorans were granted amnesty in the late 1990s, El Salvador remains the No. 2 country of origin of unauthorized U.S. residents. In addition, despite the improved political climate, Salvadorans have sought U.S. visas in large numbers. This tiny nation of 4.5 million was ranked 8th among countries of origin for legal migrants admitted to the United States between 1991 and 2002.

The Philippines is another top 10 country on the unauthorized immigration list in which it is difficult to separate political repression from economics as push factors in migration. Between 1972, when President Ferdinand Marcos first imposed martial law, and the year of his defeat, 1986, foreign debts grew nearly fourteen-fold. Debt has deepened poverty as a push factor for Filipinos who then flow into family and village networks across the United States that began taking root during the period in the late 1800s and early 1900s when the Philippines was a U.S. colony.

Impact on Impoverished Countries

Impoverished countries gain from emigration, whether authorized or unauthorized, through remittances sent home. In some cases, these dollars represent countries' largest sources of foreign earnings. But migration pressures also carry a high price. In the absence of public policies that support human development and local economic opportunity, families have little opportunity to invest money sent home in transforming their communities. Rather, they provide a cushion against extreme poverty, often at a high human cost for migrants who encounter harsh conditions on the border. In recent years, more than 300 people per year have died attempting to cross into the United States from Mexico. In desperate efforts to elude heavily fortified sections of more heavily populated border areas, many perish in the Arizona desert.⁷⁶ As the United States pushes its border control efforts southward, more still will wind up maimed or killed in the arduous trek across Central America into Mexico's southern border.

Those who do succeed in entering the United States are vulnerable to abuse by employers who can threaten to turn them in to the immigration authorities. Others face wrenching separation from family members and communities they have left behind. Even for those who do obtain legal status, it is difficult to bring relatives to join them. As of December 2004, the U.S. government had a backlog of more than 3 million immigration applications. Parents, children, and siblings wait years before being approved for family reunification visas.⁷⁷

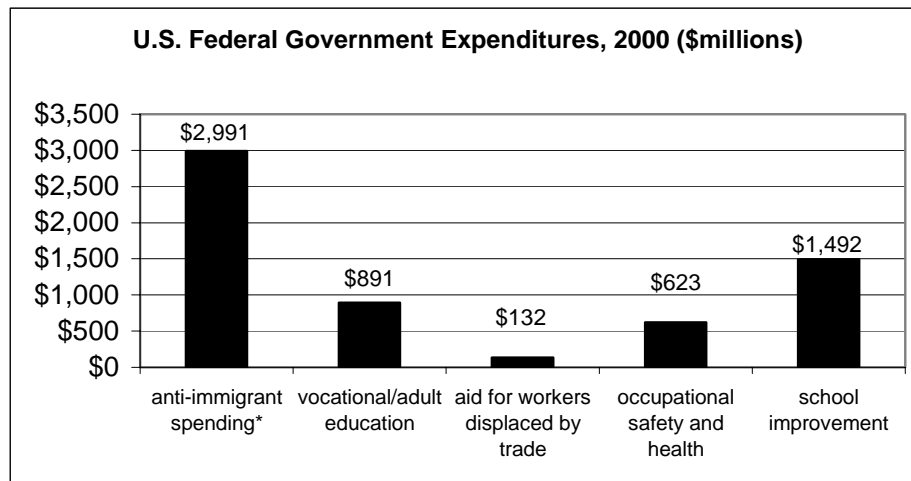
Impact on the United States

The United States benefits in many ways from immigration. Throughout our history, new arrivals have contributed to the economy with their labor, by starting businesses that create jobs, and by paying taxes—in addition to adding vibrancy and diversity to American culture. This is as true today as it was during the great immigration wave from Europe at the turn of the century.

But the way the U.S. government has responded to immigration pressures has created a negative boomerang effect as well. Billions of dollars of U.S. taxpayer money has been spent every year on militarizing the border and other anti-immigrant measures – money that could otherwise have been invested in addressing the root causes of migration or funding U.S. social programs. Even before the post-September 11 boom in such spending, efforts to keep immigrants out of the country cost about \$3 billion per year.

Anti-immigrant groups claim this is an investment in protecting the American workforce. But these measures have been largely ineffective in meeting their stated goal of controlling unauthorized immigration. Moreover, accusations that immigration is bad for U.S. workers are largely false. A National Academy of Sciences study found that immigrants had no negative effect on wages for American workers, with one exception—the very low-skilled. Americans without a high school degree (about 15% of the workforce) earn an estimated 5% less than they would without competition from low-skilled immigrants.⁷⁸

While this is a serious problem, it could be addressed more effectively by: 1) promoting debt relief and other measures that could reduce the economic pressures to emigrate in the home countries and 2) strengthening protections and investing in education for all workers in the United States, regardless of immigration status. But spending on anti-immigrant measures has far exceeded support for several key programs to strengthen the U.S. workforce. In 2000, such spending was double what was spent on school improvements, and more than three times as much as on vocational and adult education, training and other assistance for workers displaced by trade, and enforcing safety and health protections in the workplace.



* includes border patrol, investigations and intelligence, detention and deportation, and construction of barriers. Source: FY 2001 Federal Budget of the United States.

WHAT CAN BE DONE?

Breaking the stranglehold of impoverished country debt is not an unrealistic dream. In 2005, global leaders, including President George W. Bush, responded to pressure from international activists by endorsing a plan to cancel the debts of 18 countries, most of them in Africa. This was an important precedent, but more work is needed to build on this momentum.

Why is the Recent Debt Deal Not Enough?

Many Countries Excluded: The deal applies only to 18 countries that have completed the Heavily Indebted Poor Countries (HIPC) Initiative of the World Bank and IMF.⁷⁹ This program was started in 1996 to reduce the debts of countries that adopt economic reforms approved by the Bank and Fund. At least 44 more countries need immediate debt cancellation in order to achieve the UN Millennium Development Goals. At least 10 more countries that are burdened by “dictator debt” should be considered for debt relief.

Debts Remaining: Even the 18 countries that are included in the deal will still be saddled with significant debts. The deal applies only to debts owed to the World Bank, IMF, and African Development Fund. Thus, many of the 18 countries owe significant sums to other institutions, including \$403.85 million to the African Development Bank alone.⁸⁰

More Hoops: It is not yet clear whether new conditions will be imposed on the countries in line to benefit from the deal. As explained in this report, World Bank and IMF conditions have typically included onerous austerity measures to slash government spending, including for essential services; reforms that undermine worker protections; and privatization of government enterprises, including basic services like water, which has often resulted in mass layoffs and reduced access to services for the poor.

The time is now to push the U.S. government to support an improved debt plan without onerous conditions that covers more countries.

Some Concrete Steps

Education: As the outpouring of support for victims of the 2004 tsunami and other disasters shows, there is widespread desire in the United States to lift up those in need around the world. Polls also show that the majority of Americans disapprove of the job their government is doing to improve the lives of people living in impoverished countries.⁸¹ But while there may be widespread interest in improving U.S. policies towards the developing world, there is little understanding about how to do it. We need to build on the great educational work that has been done over the past two decades on debt to reach new audiences.

- IPS is producing accessible educational tools based on the “Debt Boomerang” research. See: <http://www.ips-dc.org/boomerang>
- The groups listed in the Resources section at the end of this report are among the many others that can provide useful materials and other assistance, including

helping to set up a workshop or town hall meeting featuring speakers from heavily indebted countries.

- The mainstream media needs to be pushed to become a better source of information about the Global South and measures like debt cancellation that can lead to positive change. Take every opportunity to write letters to the editor and urge journalists to do more and better reporting of these issues.

Engage Policymakers: The U.S. government holds more power than any other to make debt cancellation for impoverished countries a reality. It holds veto power over decisions within the World Bank and IMF and could use its superpower status to influence other rich country governments. And while we urge the President to do the right thing, we should also be encouraging elected officials at all levels to add their voices to the global calls for debt cancellation.

- IPS's Cities for Progress project is working with other allied organizations to mobilize community-based activists and local elected officials to support City Council resolutions in support of debt cancellation and the Millennium Development Goals. These local-level initiatives can be leveraged to influence power at the national level. For more on how you can become involved in your own community, see: <http://www.citiesforprogress.org>.
- The U.S. Congress holds tremendous potential power to influence the World Bank and IMF through its budget authority to set U.S. government financial contributions to these institutions. Jubilee USA Network and other groups are leading efforts to engage members of the U.S. Congress to play a stronger role in the debt debate.
- Through groups like Jubilee's international networks and the Global Call to Action on Poverty (see Resource section), you can increase pressure on global leaders in support of debt cancellations.

Conclusion

This report has argued that calling for debt cancellation is a matter of solidarity with those in impoverished countries as well as the interest of people in the United States. We hope that you will share this message with others.

As we have stated throughout this report, debt cancellation is no magic panacea. We cannot lose sight of other factors that have crippled impoverished countries' abilities to ensure that their people can meet basic needs and live in a stable environment. At the same time, we must recognize that we cannot transform the world overnight. One thing we can do, though, is build on the momentum generated by people across the globe to achieve this one concrete step towards a more equitable and peaceful world. If the political will were there, debt cancellation for all impoverished countries could happen next week.

We can make it happen. It's the right thing to do, and it's in our interest.

Appendix 1: Heavily Indebted Country Sample

Debt Levels (total and as % of GNP), Debt Rank in Developing World, and Poverty

	Country	Total External Debt, 2003		Debt as % of GNP		% living on \$2 a day [^]	Reason included in sample
		(US\$)	Rank	%	Rank		
1	Algeria	23,386,400,000	24	36.2	121	n/a	x
2	Angola	9,698,400,000	44	90.4	37	n/a	*
3	Argentina	166,207,300,000	4	136.0	17	14	x
4	Azerbaijan	1,680,500,000	98	25.1	131	33	**
5	Bangladesh	18,778,500,000	29	34.3	123	83	**
6	Benin	1,828,300,000	96	53.0	85	n/a	*
7	Bolivia	5,684,000,000	60	75.1	53	34	*
8	Brazil	235,431,000,000	1	49.6	92	22	*
9	Burkina Faso	1,844,500,000	94	44.1	103	81	*
10	Burundi	1,309,700,000	106	227.7	4	88	**
11	Cambodia	3,139,200,000	78	77.3	51	78	*
12	Cameroon	9,188,801,000	45	78.2	49	51	*
13	Central African Rep.	1,327,800,000	105	111.2	22	n/a	*
14	Chad	1,499,300,000	101	64.2	72	n/a	x
15	Chile	43,231,000,000	14	62.5	73	10	*
16	Comoros	287,600,000	129	89.0	39	n/a	*
17	Congo, Dem. Rep.	11,170,500,000	42	207.4	6	n/a	*
18	Congo, Rep.	5,516,300,000	63	205.7	8	n/a	*
19	Cote d'Ivoire	12,186,700,000	39	93.8	34	38	x
20	El Salvador	7,079,900,000	54	46.3	98	58	**
21	Equatorial Guinea	319,300,000	126	70.3	64	n/a	**
22	Eritrea	634,600,000	114	70.5	63	n/a	*
23	Ethiopia	7,151,000,000	53	108.4	25	78	*
24	Gambia, The	628,800,000	115	170.1	12	n/a	**
25	Georgia	1,934,700,000	92	48.2	95	16	*
26	Ghana	7,957,300,000	50	106.7	27	79	*
27	Guinea	3,456,700,000	75	96.1	33	n/a	*
28	Guinea-Bissau	745,100,000	111	326.6	3	n/a	*
29	Guyana	1,447,300,000	104	207.3	7	11	**
30	Haiti	1,307,500,000	107	45.0	102	n/a	*
31	Honduras	5,641,000,000	61	83.2	42	44	**
32	India	113,467,000,000	8	19.0	137	81	**
33	Indonesia	134,388,700,000	7	67.5	68	52	x
34	Iran	11,600,700,000	41	8.4	142	7	x
35	Iraq	n/a	n/a	n/a	n/a	n/a	x
36	Jamaica	5,584,000,000	62	74.2	55	13	**
37	Kenya	6,766,300,000	57	47.5	96	58	*
38	Kyrgyz Republic	2,020,900,000	91	109.4	23	25	**
39	Lao PDR	2,846,200,000	82	136.6	16	73	*
40	Lesotho	706,500,000	113	51.2	87	n/a	**
41	Liberia	2,567,500,000	86	679.2	1	n/a	*
42	Madagascar	4,958,300,000	68	91.9	36	85	*

43	Malawi	3,134,100,000	79	187.7	10	76	*
44	Maldives	281,000,000	130	41.3	108	n/a	**
45	Mali	3,129,300,000	80	75.3	52	n/a	*
46	Mauritania	2,359,600,000	89	203.6	9	63	*
47	Moldova	1,901,200,000	93	83.1	43	64	**
48	Mozambique	4,929,800,000	69	120.0	19	78	*
49	Myanmar (Burma)	7,318,400,000	52	159.1	13	n/a	*
50	Nepal	3,253,000,000	76	55.7	82	n/a	**
51	Nicaragua	6,915,000,000	56	174.0	11	80	*
52	Niger	2,116,500,000	90	77.9	50	n/a	*
53	Nigeria	34,963,100,000	16	70.0	65	91	**
54	Pakistan	36,345,500,000	15	45.4	101	66	**
55	Papua New Guinea	2,463,300,000	88	89.9	38	n/a	**
56	Paraguay	3,210,400,000	77	53.2	84	33	x
57	Peru	29,857,200,000	21	51.0	88	38	**
58	Philippines	62,663,200,000	10	72.4	61	47	**
59	Rwanda	1,540,000,000	100	92.7	35	84	*
60	Sao Tome & Principe	337,500,000	125	671.7	2	n/a	*
61	Senegal	4,418,500,000	72	69.0	66	n/a	*
62	Sierra Leone	1,611,900,000	99	211.2	5	n/a	*
63	Somalia	2,837,900,000	83	n/a	n/a	n/a	*
64	South Africa	27,807,300,000	22	17.8	138	34	x
65	Sri Lanka	10,238,400,000	43	56.7	80	51	**
66	Sudan	17,496,100,000	32	107.0	26	n/a	*
67	Tajikistan	1,166,100,000	108	79.7	48	59	**
68	Tanzania	7,516,300,000	51	73.4	57	n/a	*
69	Thailand	51,792,600,000	11	36.9	119	32	x
70	Togo	1,707,300,000	97	100.5	31	n/a	*
71	Uganda	4,552,800,000	70	73.8	56	97	*
72	Uzbekistan	5,006,300,000	66	50.9	89	72	**
73	Vanuatu	94,800,000	134	33.9	125	n/a	**
74	Vietnam	15,816,600,000	35	40.4	112	33	**
75	Yemen, Rep.	5,377,300,000	65	53.5	83	45	*
76	Zambia	6,424,900,000	58	153.4	14	87	*
77	Zimbabwe	4,445,000,000	71	50.5	90	n/a	*
10 odious debt countries		432,079,400,000					
other 67 countries		819,553,901,000					
Total - all countries		1,251,633,301,000					

Source: World in Bank, World Development Indicators online.

* participant in the "Heavily Indebted Poor Countries" (HIPC) initiative launched by the World Bank and IMF in 1996 to reduce debt levels.

** Identified in "In the Balance," a paper issued by Jubilee Debt Campaign, Action Aid, and Christian Aid, issued in June 2005, as an additional country in need of debt cancellation in order to meet Multilateral Development Goals. The report identified 62 that need 100% debt cancellation (includes HIPCs), 3 that need as much as 90% (Lao, the Maldives and Papua New Guinea), and 3 that were not studied but likely need cancellation (Jamaica, Peru, and the Philippines). North Korea was eliminated from the list, because it has not received significant international lending.

x Identified as a country that accumulated substantial "odious" debt under a non-democratic government in Joseph Hanlon, "Dictators and Debt" November 1998,

<http://www.jubileereserach.org/analysis/reports/dictatorsreport.htm>. Authors added Iraq and eliminated Syria, since regime there is still in power.

^ data from most recent year available, 1996-2002

Appendix 2: Wages in Heavily Indebted Countries

Country	% change in real manufacturing wages	Time period
Argentina	3.6	1990-2001
Azerbaijan	-42.5	1991-2001
Bolivia	7.6	1990-2000
Brazil	35.1	1990-2001
Cameroon	-37.5	1990-1999
Chile	-35.8	1990-2001
El Salvador	27.9	1990-2000
Ethiopia	-12.8	1990-1997
Gambia	-15.9	1993-1998
Guinea-Bissau	-85.4	1990-1996
Honduras	19.5	1990-1999
India	-31.3	1990-1999
Indonesia	60.9	1990-1999
Kenya	-21.3	1990-1997
Kyrgyzstan	-27.4	1992-1999
Malawi	-73.8	1990-1995
Mozambique	-80.4	1990-1996
Myanmar	-75.2	1992-1999
Nepal	-0.9	1990-1996
Nigeria	-66.8	1991-1996
Pakistan	-28.8	1990-2000
Paraguay	-0.7	1990-2001
Peru	26.2	1990-2001
Philippines	-21.7	1990-2000
Senegal	-6.8	1990-1997
South Africa	8.1	1990-2000
Sri Lanka	-6.3	1990-2001
Tajikistan	-86.7	1991-1997
Thailand	14.9	1990-1999

Source: International Labor Organization, "Key Indicators of the Labour Market," Third Edition, 2003.
Note: excludes countries for which there were less than five years of data available from the 1990s.

Appendix 3: U.S. Trade with Heavily Indebted Countries

Country	U.S. goods exports (SUS millions)		Trade balance (SUS millions)
	1980	2003	2003
Algeria	542.0	487.3	-4,265.6
Angola	111.0	491.9	-3,772.4
Argentina	2,625.0	2,435.4	-733.9
Bolivia	172.0	181.8	-3.0
Brazil	4,343.0	11,218.3	-6,665.7
Cameroon	93.0	90.8	-123.2
Chile	1,353.0	2,719.3	-983.8
Congo, Dem. Rep.	155.0	30.6	-143.9
Cote d'Ivoire	185.0	102.8	-386.9
El Salvador	272.0	1,823.8	-195.6
Ethiopia	72.0	409.1	378.6
Ghana	127.0	209.4	127.5
Guyana	96.0	117.2	-1.1
Haiti	311.0	639.8	307.5
Honduras	379.0	2,844.9	-466.6
India	1,689.0	4,986.3	-8,066.5
Indonesia	1,545.0	2,520.1	-6,999.9
Iran	23.0	98.8	-62.4
Jamaica	305.0	1,469.6	974.9
Kenya	141.0	196.7	-52.5
Liberia	113.0	33.4	-26.1
Madagascar	7.0	46.4	-337.3
Mauritania	20.0	34.9	34.0
Mozambique	69.0	62.5	54.1
Myanmar (Burma)	29.0	6.9	-268.8
Nicaragua	250.0	502.8	-266.5
Nigeria	1,150.0	1,029.0	-9,364.6
Pakistan	642.0	839.6	-1,691.9
Paraguay	109.0	488.8	435.5
Peru	1,171.0	1,706.8	-700.0
Philippines	1,999.0	7,992.2	-2,068.7
South Africa	2,463.0	2,821.2	-1,816.4
Sri Lanka	62.0	154.8	-1,652.6
Sudan	142.0	26.1	23.3
Tanzania	62.0	66.0	41.8
Thailand	1,263.0	5,841.7	-9,339.0
Uganda	12.0	42.7	7.8
Zambia	98.0	19.5	7.0
Total - heavily indebted	24,200.0	54,789.2	
Total - US	220,800.0	713,761.0	
Heavily indebted as a % of US	11.0	7.7	

Source: U.S. Census Bureau, Statistical Abstract of the United States: 1982 and 2004-2005.

Appendix 4: Health Indicators and Spending in Heavily Indebted Countries

Country	HIV prevalence (% ages 15-49), 2003	Malaria cases per 100,000, 2000	Tuberculosis cases per 100,000, 2002	Health expenditure per capita, 2002 (US\$)	Public health expenditure, 2002 (US\$)
Algeria	0.1	2	51	77	1,778,049,300
Angola	3.9	8,773	398	38	236,217,870
Argentina	0.7	1	61	238	4,561,263,990
Azerbaijan	0.1	19	109	27	51,135,569
Bangladesh	0.2	40	447	11	370,990,386
Benin	1.9	10,697	131	20	56,328,865
Bolivia	0.1	378	312	63	326,861,774
Brazil	0.7	344	94	206	16,726,557,210
Burkina Faso	4.2	619	272	11	63,105,916
Burundi	6	48,098	531	3	4,019,815
Cambodia	2.6	476	734	32	81,995,203
Cameroon	6.9	2,900	238	31	119,243,443
Central African Rep.	13.5	2,207	438	11	16,944,050
Chad	4.8	197	388	14	54,611,398
Chile	0.3	n/a	20	246	1,764,984,222
Comoros	n/a	1,930	121	10	4,153,538
Congo, Dem. Rep.	4.2	2,960	594	4	63,791,443
Congo, Rep.	4.9	5,880	435	18	46,767,530
Cote d'Ivoire	7	12,152	634	44	162,521,024
El Salvador	0.7	11	83	178	512,366,020
Equatorial Guinea	n/a	2,744	362	83	27,529,879
Eritrea	2.7	3,479	480	8	20,502,320
Ethiopia	[3.9-8.5]	556	508	5	155,115,622
Gambia, The	1.2	17,340	325	18	12,053,260
Georgia	0.2	5	99	25	34,974,217
Ghana	3.1	15,344	371	17	141,670,041
Guinea	3.2	75,386	375	22	28,873,791
Guinea-Bissau	n/a	2,421	316	9	6,189,127
Guyana	2.5	3,074	157	53	30,849,080
Haiti	5.6	15	392	29	103,611,154
Honduras	1.8	541	98	60	209,032,051
India	[0.4-1.3]	7	344	30	6,633,126,500
Indonesia	0.1	920	609	26	1,989,163,050
Iran, Islamic Rep.	0.1	27	37	104	3,264,022,300
Iraq	n/a	n/a	n/a	11	n/a
Jamaica	1.2	n/a	9	180	290,431,322
Kenya	6.7	545	579	19	264,054,384
Kyrgyz Republic	n/a	n/a	n/a	14	35,324,102
Lao PDR	0.1	759	359	10	25,437,189
Lesotho	28.9	0	449	25	38,788,992
Liberia	n/a	n/a	n/a	4	8,033,740
Madagascar	1.7	n/a	407	5	50,568,099
Malawi	14.2	25,948	462	14	75,777,662
Maldives	n/a	n/a	46	96	25,499,983
Mali	1.9	4,008	695	12	76,550,486
Mauritania	0.6	11,150	437	14	28,637,799
Moldova	0.2	n/a	233	27	67,635,993

Mozambique	12.2	18,115	547	11	148,260,301
Myanmar	1.2	224	176	315	22,803,032
Nepal	0.3	33	271	12	56,497,657
Nicaragua	0.2	402	83	60	84,214,663
Niger	1.2	1,693	386	7	948,229,849
Nigeria	5.4	30	565	19	857,821,200
Pakistan	0.1	58	379	13	32,933,230
Papua New Guinea	0.6	1,688	543	22	211,019,327
Paraguay	0.5	124	109	82	1,807,680,000
Peru	0.5	258	246	93	1,714,983,600
Philippines	0.1	15	540	28	19,356,392
Rwanda	5.1	6,510	598	11	1,686,206
Sao Tome & Principe	n/a	n/a	308	36	490,074,607
Senegal	0.8	3,479	480	27	18,085,002
Sierra Leone	n/a	n/a	628	6	n/a
Somalia	n/a	n/a	n/a	n/a	n/a
South Africa	[17.8-24.3]	143	366	206	23,179,392,000
Sri Lanka	0.1	1,110	73	32	297,796,320
Sudan	2.3	13,934	346	19	155,295,479
Tajikistan	0.1	303	169	6	11,235,652
Tanzania	8.8	1,207	472	13	262,880,089
Thailand	1.5	130	179	90	3,891,832,860
Togo	4.1	7,701	688	91	74,839,385
Uganda	4.1	46	550	18	120,743,851
Ukraine	n/a	n/a	n/a	n/a	1,415,922,860
Uzbekistan	0.1	1	134	21	242,198,775
Vanuatu	n/a	3,260	147	44	6,563,782
Vietnam	0.4	95	263	23	532,884,944
Yemen, Rep.	0.1	15,160	145	23	100,842,137
Zambia	16.5	34,204	588	20	113,489,365
Zimbabwe	24.6	5,410	452	118	779,232,463

Sources: HIV, malaria, and tuberculosis: *UN Human Development Report 2004*, table 8. Health expenditures per capita and total debt service: World Bank, World Development Indicators online. Public health expenditures: calculated by the authors based on data from the World Development Indicators online.

MORE RESOURCES

Some of the Many Organizations doing Work on Debt:

50 Years is Enough Network: www.50years.org
Africa Action: www.africaaction.org
Action Aid: www.actionaid.org
American Friends Service Committee: www.afsc.org
Christian Aid: www.christian-aid.org.uk
Cities for Progress: www.citiesforprogress.org
DATA (debt, AIDS, trade, Africa): www.data.org/
Eurodad: www.eurodad.org
Global Call to Action on Poverty: www.whiteband.org
International Confederation of Free Trade Unions: www.icftu.org
Interaction: www.interaction.org
Jubilee Debt Campaign: www.jubileedebtcampaign.org.uk
Jubilee South: www.jubileesouth.org
Jubilee USA: www.jubileeusa.org
New Rules for Global Finance Coalition: www.new-rules.org/
One Campaign: www.onecampaign.org
Transafrica Forum: www.transafricaforum.org/
UN Millennium Campaign: www.millenniumcampaign.org

Books

Bryant, Coralie and Christina Kappaz. *Reducing Poverty, Building Peace*. Bloomfield, CT: Kumarian, 2005.
George, Susan. *The Debt Boomerang: How the Third World Debt Harms Us All*. London: Pluto Press, 1992.
Hertz, Noreena. *The Debt Threat: How debt is destroying the developing world and threatening us all*. USA: Harper Collins, 2004.

END NOTES

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- ¹⁰ Lishala C. Situmbeko and Jack Jones Zulu, "Zambia: Condemned to Debt," World Development Movement, April 2004 (<http://www.wdm.org.uk/campaigns/colludo/zambia/zamexecsum.htm>).
- ¹¹ International Monetary Fund, "Iraq: 2005 Article IV Consultation Report," August 2005, p. 32, Table 4.
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- ¹⁴ International Labor Organization, "Key Indicators of the Labour Market, 3rd edition," first published 2003.
- ¹⁵ U.S. Department of Labor, Bureau of Labor Statistics, "Historical Employment, B-1. Employees on nonfarm payrolls by major industry sector."
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- ¹⁸ U.S. Census Bureau, Statistical Abstract of the United States: 1982 and 2004-2005. The U.S. Census Bureau only had data for both years for 38 countries primarily because it does not collect data for some smaller countries and because it did not collect data on former Soviet bloc countries in 1980.
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- ²⁰ US Trade Representative Office fact sheet (http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2002/asset_upload_file286_5653.pdf?ht=exports%20and%20jobs%20).
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- ⁴² See *Science* magazine article cited in Juliet Eilperin, "Study links severest storms, warmer seas," *Washington Post*, September 16, 2005. See also IPS's Sustainable Energy and Economy Network's website, www.seen.org.
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