

Debt as an obstacle to development

Main economic and social troubles of many poor countries in Africa, Latin America and Southern and South-Eastern Asia are caused to a big extent by foreign debt. Debt crisis in the so-called Third World started in the 1970s. At that time, it was easy and cheap to borrow money (“petrodollars”) deposited by oil-producing countries and the conditions were modest. The global recession in the 1980s led to the unprecedented rise of interests and the debts, in some cases, more than doubled and became unpayable. At the same time, the fall of prices of raw materials and cash crops (agricultural export crops such as coffee, cotton, cocoa and tea) shrunk the earnings of developing countries. The new loans, which the countries have needed just to pay their debts or only the interests, have been connected to tough conditions, known as Structural Adjustments Programmes, imposed by the International Monetary Fund (IMF) and the World Bank (WB). In practice, it means that the countries have had to follow the neoliberal dogma: deregulation, liberalisation and privatisation. The cutting of public spending (required to repay debts) has had a direct negative impact on health care, school attendance and social security. The urgent need to pay off the debts has necessitated the export of whatever possible – in case of the developing countries it means mostly raw materials and agricultural products. In this way, debt has had a huge impact on their food security and food sovereignty. Despite the periodically proclaimed and partially even carried out debt relief, the debts of the poor countries have been rising in an extraordinary manner: from 70,2 billion dollars in 1970s, 579,6 billion dollars in the 1980s to 3,7 trillion dollars today. Nowadays, the debt problem has reached even many middle income and rich countries including the EU members.

The Ecumenical Academy Prague (*Ekumenická akademie Praha* – EAP) has been concerned with the matter of sovereign debts since the end of 1990s. This was the time when Jubilee 2000, the international movement for cancelation of the poor countries’ debt by the year 2000, started its work. EAP, together with two other partners, established the Jubilee Czech coalition and participated actively in various international activities. It organised seminars, published information materials and collected signatures for the petition, which finally, with its 24 million signatures from 166 countries, became the biggest petition in history. The most challenging role for EAP and Jubilee Czech came with the decision of IMF and WB to hold their summit in the year 2000 in Prague. On this occasion, local partners of the coalition helped to organise the whole range of different events, through which the international civil society addressed the politics of the international financial institutions (IFIs). The major event was the international conference with many prominent guests, such as Walden Belo and Mary Robinson, discussing and criticising the exploitation of poor countries by means of the debt mechanism. Furthermore, an encounter between the main representatives of IFIs and their prominent critics was arranged under the auspices of the president Havel. Additionally, the Jubilee coalition organised one own demonstration and participated in several others. The symbolic delivery of the petition signatures to the highest representatives of WB and IMF was the peak of the media activities, in which the issue of debt cancelation was presented.

The Jubilee 2000 campaign indeed had some success: the debt crisis was realised as an important problem by the public and politicians, several countries reached cancelation of their unpayable debts, some of the IFIs conditionalities became more moderate. Nonetheless, as the figures show, the rocketing debts of poor and even some rich countries prove the failure of the current system. The Jubilee campaign has been continued in many countries even though the mass mobilisation of the public support cannot be maintained continuously. EAP has also followed the theme and became the first Central and Eastern European member of

EURODAD, the most important European network on debt. The intensity of activities depends, however, on the successful securing of the needed funding.

For example, in 2006 EAP, together with its German partner erlassjahr.de, EURODAD and partners from the CIS/CEE region, took a closer look at the debt situation of the countries which had formerly been a part of the socialist block. A collection of country analyses revealed that the region was anything but immune from the dangers of state over-indebtedness and ultimately state insolvency. The data showed that debt inherited from the socialist regimes as well as debt related to the transition process itself played a huge role in determining both public and external debt (un)sustainability in many countries. This part of the world has the second highest debts after Latin America. An extensive country screening paper as well as the civil society call "Drop the debt of the transition", agreed upon by NGOs from more than 10 countries, were a result of the project.

The phase of strong growth, which prevailed also in the CIS/CEE region, led some of these countries out of their potentially default situations. This positive process, however, came to a sudden halt in 2008, when the global financial crisis hit the region more severely than any other on the globe. Countries across all income groups, from low-income Moldova to the EU member Hungary, found themselves at the brink of default. At the same time, due to the crisis, many countries in the South again are facing the unpayable debts.

The world's financial architecture still gives almost absolute power with nearly no responsibility to the lenders (IFIs, private banks, governments). This is why a broad coalition of NGOs, governments of many poor countries and even some countries in the North (e.g. Norway and Germany) are looking for sustainable rules of sovereign lending. There should be clear criteria of payable and unpayable debt, the establishing of "fair and transparent arbitration process" which would give equal position to debtors and lenders, the possibility of debt audits which would enable to refuse the so called "odious debts" (e.g. debts of the South Africa's apartheid regime, which used the money to oppress its own people), preventing debt relief or climate change compensations to be made at the expense of the development cooperation resources.

Of crucial importance remains the need to change the current economic system, which is led almost entirely by one aim: quick and maximal profit without any respect for human rights.

These are some of the topics which the Ecumenical Academy Prague will be surely working on further.

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