

DROP iT!

Summer 2012

The Jubilee We Need Today



**JUBILEE DEBT
CAMPAIGN**

A JUBILEE FOR JUSTICE

Around the world debt is causing immense suffering again.

Today Europe faces a debt crisis. Many people are facing unemployment, homelessness and social breakdown, while reckless lenders continue to be repaid. Some vulture funds are making a killing off the misery.

This is not just a one-off crisis, as many people believe. The economic policies pursued over the last 30 years have created debt crisis after crisis.

For three decades, when a country has fallen into crisis, the poorest in society have paid the price – through austerity measures – for loans which often did not benefit them. Lenders have never been held to account for unjust debts.

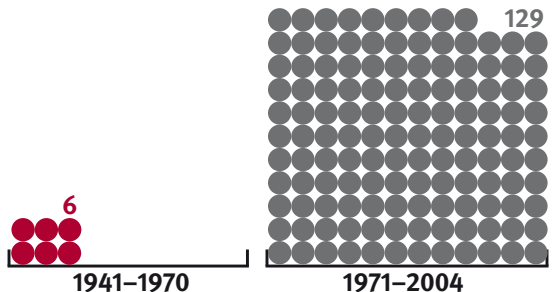
Unless something changes, these crises will continue. In many countries of the global South, debts are rising rapidly again, threatening more debt crises and more suffering. Meanwhile Europe's debt crisis will continue to cause pain here and around the world.

How much more suffering is acceptable in the name of debt?

Today we are renewing our call for a Jubilee: not simply to cancel debts, though this remains vitally necessary, but to create a global economy where people will never again be enslaved by debt. Will you join us?

DEBT DEFAULTS SINCE LENDING WAS DEREGULATED

A COUNTRY 'DEFAULTS' WHEN IT MISSES A REPAYMENT ON ITS DEBTS.



THE ROOTS OF THE DEBT CRISIS

1971 The 'Nixon Shock': The US brings the 'Bretton Woods' system of fixed exchange rates and convertibility of gold to an end, laying the ground for an expansion of credit. Regulations on the movement of money around the world begin to be removed.

1973 The 'Oil Shock': an embargo by oil exporting countries (OPEC) leads to a large increase in oil prices. 'Petrodollars' made from the price rise are invested in Western banks and lent out to third world nations.

1979-1983 The 'Volcker Shock': Federal Reserve Chair Paul Volcker oversees a policy of sharply increased interest rates on US loans – including the stock of 'third world debt'.

1982 The Mexican default is seen by Western governments as the start of the 'third world debt crisis'.

1982 onwards While bank lending dries up, it is replaced by IMF and World Bank lending, effectively recycling debt, as well as imposing austerity. Activists across the world begin campaigning against debt, including in the UK

the Debt Crisis Network and boycott campaigns against high street banks.

1996 After a decade of devastation of many nations by debt and austerity, the idea of 'jubilee' is applied to the debt crisis, and Jubilee 2000 is born in 1997.

1998 In Birmingham 70,000 people surround the G8 summit calling for a jubilee. International economic policy-making will never be the same again as G8, IMF and World Bank summits are followed around the world by protesters.

1996-9 The Heavily Indebted Poor Countries initiative is created, responding to pressure, but fails to offer extensive or deep enough debt cancellation.

2005 The Gleneagles G8 Summit agrees to a new debt cancellation scheme. To date 32 countries have received \$120 billion in cancellation.

2008 Lehman Brothers collapses symbolising the beginning of the global financial crisis. In the years to follow, Europe is consumed by a debt crisis, as governments take on debts from the banks. Austerity, privatisation and debt recycling are all – once again – put forward as solutions.

WHAT IS A JUBILEE?

The first known 'jubilees' took place in Mesopotamia 3,000 years ago. Farmers often became stuck in debt and had to sell their children into debt slavery. So periodically rulers would cancel the debt.

The word 'jubilee' comes from the Jewish scriptures. Once every 50 years a 'Jubilee year' would be declared: everyone was to take the year off from working the land, living simply off surpluses. All debts between people were to be cancelled, all slaves were to be freed.

In the Bible, Luke records that Jesus began his public ministry with a call to restore the just economy of Jubilee where all have enough. Jesus tells those who have assets to lend without expecting a return.

In the modern era a 'jubilee' has come to mean simply a celebration of an anniversary. But in the run up to the year 2000, 24 million people signed a global petition calling for a 'jubilee' for the countries of the Third World weighed down by debt.

WHAT DOES A JUBILEE LOOK LIKE IN 2012?

In ancient times, people recognised the damage which debt could do to society and sometimes held periodic debt ‘jubilees’ to cancel debts.

But jubilees went beyond simply ‘dropping the debt’ – they made restitution for the damage that debt had caused – freeing people sold into slavery to pay their debts, returning land to the freeholders who had been forced to sell, leaving over-farmed fields to recover their fertility.

In 2012, the world is crying out for similar measures. As finance has lost connection with the rest of society, a jubilee today needs not just to deal with the debts that have been created, but also to ensure that such debts do not build up again. Our economy must be run for the needs of all people, not the greed of the few.

A Jubilee for Justice today means:

1. Cancelling the unjust debts of the most indebted nations

Some people argue ‘if I lend you money, you must pay it back’, regardless of consequences. But it cannot be right for a debt to be repaid if it means widespread suffering, impoverishment and inability of people to access their human rights. Especially when ordinary people are rarely

- The Philippines, El Salvador and Sri Lanka governments continue to spend a quarter of government revenue on foreign debt payments.
- The Mozambique, Ethiopia and Niger governments could be spending proportionally as much on foreign debt payments in a few years as they were before debt relief.
- The IMF and World Bank are responsible for 45 per cent of the new loans to low income countries over the last five years.

even aware of government borrowing, and can do little about it.

When debts are contracted undemocratically, or when reckless lending causes debts to get too high, they become unjust and must be cancelled. This is something of which lenders are, or should be, aware.

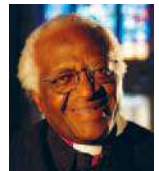
Some European nations are now joining the scores of countries in the global South to have been impoverished by debt. The first step in a debt crisis is for people in indebted countries to make decisions about what debts they regard as fair and just. ‘Debt audits’ allow countries to examine their debts and make democratic decisions as to what to do about them.

DEBT LEVELS SINCE 2008

The current financial crisis has led to debts in impoverished countries increasing once again. External debt payments for 61 governments will increase by one-third in the next few years, according to the World Bank and IMF’s own figures.

“In our global village, where the poor are vulnerable because of the decisions of the powerful and affluent, unjust debt has created a new apartheid, one that is not just political, but is economic and cultural. We cannot stand by.”

Archbishop Desmond Tutu



Lender as well as borrower countries can conduct such audits, to decide whether money was lent irresponsibly and which debts should be cancelled.

An international debt court that is genuinely neutral and can adjudicate when crisis strikes is also needed. It is a vital part of an ongoing process to ensure debts don't get too big.

2. Promote just and progressive taxation rather than excessive borrowing

Debts can be just – when they are taken out in a democratic fashion, for productive investment, to benefit people's lives. But governments have other means of raising funds that can be much fairer.

Tax is a means of ensuring that companies and investors in a country pay a fair share for being there, and this tax can help develop the country in an equitable and democratic way. It is also a means of redistributing money from rich to poor, mitigating against the appalling rise in inequality witnessed in the last 30 years. When fairly implemented taxes can be far more democratic and equitable than debt as a means of development.

Over the last 30 years, 'tax' has become a dirty word. International institutions have regularly advised governments to reduce taxation and 'encourage investment'. Tax avoidance robs countries of hundreds of billions of pounds every year. The result has been spiralling debts and rising inequality.

3. Stop harmful lending which forces countries into debt

In the last 30 years, money has been 'freed up' from government regulation so that it can now move much more freely in and out of economies. This policy has been heavily pushed by western controlled institutions like the International Monetary Fund.

The freeing up of money has encouraged

“One might think it would be hard to make a case that the loss of 10,000 human lives is really justified in order to ensure that Citibank wouldn't have to cut its losses on one irresponsible loan that wasn't particularly important to its balance sheet anyway.”

David Graeber, 'Debt: The First 5,000 Years'



short-term flows of money – so-called 'hot money' – looking for a quick profit, making the international economy much more unstable. It has reduced the power of governments to prevent debt crises and protect their citizens, undermining public control of economies. Those countries that have been able to maintain control of money flowing in and out of their economies have fared much better – witness Malaysia during the 1990s Asian Financial Crisis, China and India in the 2000s and Brazil since 2009.

The world needs a system for regulating the movement of money across the borders, not to prevent useful investment, but to limit speculation and prevent debt crises. Political will is needed to challenge the ideology that banks and financiers should always be able to move money where and when they like hidden from view, and to untangle the web of regulations which has been created to empower finance.

TAKE ACTION

Join the call for a Jubilee for Justice by signing this paper chain link and getting a friend to sign one too. Order more chain links using the form overleaf

**JUBILEE
FOR JUSTICE**

- ▶ **CANCEL THE DEBT**
- ▶ **TAX JUSTICE**
- ▶ **CONTROL LENDING**



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The Jubilee We Need Today



WE CALL FOR A JUBILEE FOR JUSTICE:

- Cancel the unjust debts of the most indebted nations
- Promote just and progressive taxation rather than excessive borrowing
- Stop harmful lending which forces countries into debt

First name _____ Last name _____

Address _____

_____ Postcode _____

Email _____

TICK HERE to receive more information about how you can help

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ORDER CAMPAIGN MATERIALS

I'd like to order:

- ↘ more copies of this issue of *Drop It*
- ↘ sheets of paper chain links (5 to a page)
- ↘ copies of the *State of Debt* report (52 pages)
- ↘ copies of the Jubilee for Justice letter for faith leaders

QUANTITY

Name _____

Address _____

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Email address _____

Tick here if you do NOT want to receive further information about Jubilee Debt Campaign's work.

Please return to: Jubilee Debt Campaign, The Grayston Centre, 28 Charles Square, London N1 6HT.

If you're not making a donation, you can also email this information to info@jubileedebtcampaign.org.uk or phone 020 7324 4722.

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If you're a UK taxpayer, we can reclaim an extra 25% in tax on your donations. Please tick the box, then sign and date. Declaration invalid without all three.

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CAMPAIGNING IN GENEVA,
JUNE 2000

WHAT WE HAVE ACHIEVED

Thirty years ago this summer, Mexico defaulted on its debts, marking a decisive stage in the 'Third World Debt Crisis'. After 1982, Western governments and banks 'recycled' this Third World debt by giving new loans to repay old debts. Debts grew larger and larger, and a series of harsh austerity policies was imposed on those nations, causing devastating poverty and inequality.

The Jubilee movement arose around the globe to challenge this injustice. Following the Jubilee 2000 campaign, activists forced governments to cancel large portions of debts. This was a significant achievement in a world which started out saying there was 'no problem' with developing country debt.

By 2012, 32 countries have received debt cancellation totalling \$120 billion of debts. Despite all the harmful and undemocratic economic policy conditions attached to this debt relief, government spending has been able to make a real difference to the lives of millions of people across the developing world as a result.

- Across the 32 countries that have had IMF and World Bank debts cancelled, debt repayments have fallen from 20% of government revenue in 1998 to 5% in 2010.
- Primary school enrolment has increased from 63% of children in 2000 to 83% in 2010.
- There are only 8 more countries that 'qualify' for debt cancellation, and the scheme has now been closed to new entrants by the IMF and World Bank, who think the problem of debt has been solved.

READ THE REPORT

Our new report *The State of Debt: Putting an end to 30 years of debt crisis* covers these issues in more detail. Order copies on the postcard to the left or download a PDF at:

www.jubileedebtcampaign.org.uk/stateofdebt

SUPPORT THE CAMPAIGN

If you can make a donation towards our work, or you would like to order more copies of our campaign materials, please return this postcard to us in a stamped envelope.

DEBT UPDATE

EGYPT MILITARY DEBTS MUST BE CANCELLED

In December, Business Secretary Vince Cable was forced to confirm that the £100 million of debt 'owed' by Egypt to the UK does include loans made to now-deposed dictator Mubarak for military equipment in the 1980s. The Government had claimed not to hold a record of this information until we found papers in the National Archives – reported in the *Independent on Sunday* – indicating otherwise.

Despite his party's official policy, Cable said he was "not minded" to audit and cancel these dictator debts because Egypt is "not disputing" them. This came as news to our partners in the Popular Campaign to Drop Egypt's Debt, based in Cairo, who are calling for a full audit of the \$30 billion debt Mubarak left behind. Egypt spends \$3 billion per year on debt repayments, while the IMF has been in the country to tie up a new loan for the same amount, \$3 billion.

We are now calling on the Deputy Prime Minister, Nick Clegg, to ensure Cable implements Liberal Democrat policy.

- ✚ Sign our petition to Nick Clegg on Egypt's debt:
www.jubileedebtcampaign.org.uk/egypt



NEW DODGY DEALS UNCOVERED

We have found more documents in the National Archives revealing the extent of dodgy debts 'owed' to the UK. The UK is claiming £45m from Argentina for arms sales to the military junta in the years leading up to the Falklands War – including ships and helicopters used in the junta's invasion of the Falklands. A letter from then-Foreign Secretary David Owen shows the Government knew the Argentine junta had a "worse" human rights record than Pinochet's Chile and could attack the Falklands, but sold them the weapons anyway.

As a result of our campaign, the government has announced it is "conducting an exercise" to see what lies behind other parts of the £2 billion debt 'owed' to the UK from failed trade deals with countries including Zimbabwe, Burma, North Korea and Iran.

- ✚ Read our *Uncovering Britain's Debt Secrets* briefings at:
www.jubileedebtcampaign.org.uk/dodgydeals



Tim Kenny/Jubilee Debt Campaign

LEFT: DEBT 'SKELETONS' SEND A MESSAGE TO VINCE CABLE OUTSIDE THE LIBERAL DEMOCRAT SPRING CONFERENCE IN NEWCASTLE

JERSEY VULTURE LAW MAY BE TOO LATE FOR CONGO

Jersey has announced it intends to introduce a 'vulture funds' law, following our campaign.

In 2010 we revealed that US-based vulture fund FG Hemisphere was suing the Democratic Republic Congo for \$100 million in a Jersey court, from a debt it bought up for just \$3 million. The shocking case of debt profiteering was featured on the BBC's Newsnight and in the *Guardian*.

More than 40,000 campaigners called on Jersey's Chief Minister Ian Gorst to extend the UK's Vulture Funds Act to Jersey. On 1 February, Gorst announced that Jersey would introduce such a law, but didn't specify a timetable.

BELOW: JOURNALIST GREG PALAST CONFRONTS VULTURE FUND OWNER PETER GROSSMAN (RIGHT) OUTSIDE HIS NEW YORK OFFICE



BBC Newsnight

With the FG Hemisphere case under appeal and a verdict due in July, it is a race against the clock to see if the law will be passed in time. If not, it will mean the second poorest country in the world may have to pay a vulture fund on the basis of a loan made to dictator General Mobutu during the Cold War.


- ✓ Watch Greg Palast's report on the Jersey vulture case:
www.tinyurl.com/jerseyvulture
- ✓ Ask the Jersey Government what is delaying the vulture funds law:
www.jubileedebtcampaign.org.uk/jerseyvulture


ABOUT US

Jubilee Debt Campaign is part of a global movement demanding freedom from the slavery of unjust debts and a new financial system which puts people first.

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 Jubilee Debt Campaign

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