Making poverty sustainable: the G8, NGOs and debt relief

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They came, they marched, they went home enthused and expectant. The 250,000 who packed the streets of Edinburgh city centre on 2 July had been led to believe by the Make Poverty History (MPH) campaign that the eight leaders of the richest and most powerful nations on earth had it within them to take a great leap forward in eradicating poverty in Africa.
Everyone it seemed was on board. A message from Pope Benedict XVI urged the rich countries to ?reduce? the debt burden on the poor. International development minister Hilary Benn blessed the march with his presence. Chancellor Gordon Brown, speaking at a Christian Aid and Church of Scotland rally following the march, said that those taking part in the march and Live 8 concerts around the world were participating in ?a great moral crusade".
Even prime minister Tony Blair, host to the G8 summit that began four days later, had made it clear that debt relief for Africa and climate change were at the top of his agenda, ?the most serious problems facing the world today".

Most of those on the march were not anti-capitalists; but they were sincere in their determination to see tangible progress towards stopping the obscenity of children dying from preventable causes at the rate of one every three seconds. The majority probably accepted that the Millennium Development Goals (MDG?s) adopted by the United Nations in September 2000 were the benchmarks against which the G8 decisions should be measured. These established eight broad targets to be achieved by 2015:
? Eradication of extreme poverty and hunger
? Achievement of universal primary education
? Promotion of gender equality and empowerment of women
? Reduction in child mortality
? Improvement in maternal health
? Effective measures to combat HIV/AIDS, malaria and other diseases
? Environmental sustainability
? The development of a global partnership for development

In the summer of 2004, however, the UN had to admit that, while some progress on individual indicators had been made in parts of Asia and Latin America, ?sub-Saharan Africa, but also least developed countries in other regions, are far from making adequate progress on most of the goals.? The report cited the continuing spread of HIV/Aids throughout the continent alone as enough to wreck all chance of achieving the MDGs unless enormous resources were put into tackling it.

While the motives of those attending the pre-G8 summit actions were certainly sincere, the same cannot be said of the Labour government?s attempt to identify with them. On the contrary, they were completely cynical and self-serving. Blair was motivated by a combination of political pressure and bourgeois self-interest. Beginning with the 70,000 demonstration organised by Jubilee 2000 at the 1998 Birmingham G8 summit, the anti-debt campaign had gathered 26 million signatures for debt relief and mobilised global public opinion on a massive scale. Key figures from the Clinton administrations, major business philanthropists such as Bill Gates, and global celebrities such as U2?s Bono, had put together a populist coalition that focussed world attention on the plight of the world?s poorest and the role that debt played in keeping them that way.

In the wake of a major mass anti-war movement, which cost Blair most of his political capital after the invasion and occupation of Iraq in 2003, the prime minister found it expedient to seek to restore his credentials by focusing on a relatively low cost initiative which, though given a humanitarian gloss, was motivated in essence by the self-interest of the capitalist classes of the major imperialist powers. As the Economist put it,

"We must now all accept the utter futility of trying to shut our borders to problems abroad. Famine in Africa will affect our countries because it will be a trigger for mass migration. Conflict, too, drives millions to flee their homes. Both create the conditions for terrorism and fanaticism to take root and spread directly to Europe, to North America and to Asia. We spend billions on humanitarian aid to help pick up the pieces.?

Blair?s answer was characteristically deceitful; to switch accounts and use the existing aid budget to cancel debts that would never be paid back anyway in the hope that a degree of social stability would emerge that might contain the running sore of African poverty within the continent?s borders. In the process, Blair hoped to win over the liberal ?bleeding-hearts? in the west with promises of improvements in primary education and health outcomes.

In the event, the G8 leaders did no more than endorse the agreement reached by their finance ministers a couple of months earlier. That committed the G8 and other major donors to an increase of $25 bn in official development assistance to Africa by 2010. It also announced 100 per cent multilateral debt relief for 18 Highly Indebted Poor Countries. The deal provided less than $1 bn this year compared to the $10 bn a year of debt cancellation that MPH estimated was needed to eradicate extreme poverty. The contrast with the $200 bn identified by the US government within two weeks for reconstruction after Hurricane Katrina could not be greater.

On trade, the G8 did nothing to cut EU and US agricultural subsidies, which lead directly to the dumping of surplus agricultural produce onto the markets of the global south, thereby destroying the livelihoods of large numbers of African farmers. On aid, the G8 promised a $48 bn boost in five years? time but MPH calculates that only around $20 bn of this is new money and even some of this is likely to be raised through borrowing from future aid budgets, rather than from genuinely new contributions. Moreover, the G8 left untouched the liberalisation of markets and the privatisation of state enterprises, which are often forced on developing countries as a precondition for receiving aid. Nor did the communiqué make any measurable commitments for dealing with the role of G8 companies which are engaged in corruption or human rights abuses on the continent.

If Blair hoped that the G8 communiqué would keep his NGO allies on board, his illusions were rudely shattered within hours of the statement. True, Live 8 organiser Bob Geldorf did effuse that ?without equivocation [it was] the greatest G8 summit there has ever been for Africa".

But the previously supportive NGOs that make up the Global Call to Action against Poverty, and know something about the subject, begged to differ. Kumi Naidoo, chair of GCAAP said: ?The people have roared - but the G8 has whispered. Currently, 50,000 people die unnecessarily each day. If the leaders actually implement today?s announcement in an urgent manner, we estimate that by 2010 this will fall to around 37,000.? Similarly, Charles Abugre, Christian Aid?s head of policy insisted: ?This package will not deliver poor countries from the nightmare of poverty".

The labour movement development NGO, War on Want, summed up the general mood of disappointment when it said: ?The G8 have given less than 10% of our demand on debt cancellation and not even a fifth of what we called for on aid. On trade, the G8 has hardened its stance, forcing more countries to open their markets and threatening millions with the misery of poverty. When the moment came to act, the G8 turned their backs on the world?s poor."

Although the sense of betrayal was real enough, it was tempered by a ?realism? that stemmed from the fact that the NGOs have no other strategy than to continue mobilising public opinion to press for more reforms from the world?s rulers. The focus for lobbying in the next period will shift from the G8 to the World Trade Organisation summit in December as the world?s capitalist leaders try to overcome the deadlock between the G8 and G24 group of global south countries that has paralysed negotiations on further liberalisation of world trade.

The question posed by this is: can it work? Can activist pressure win the hearts and minds of bourgeois politicians? Do the G8 measures on debt and aid amount, as Bono said, ?if not to the end of poverty but the beginning of the end.? Even if the G8 had given the MPH coalition most of what it sought, would it have been enough to end poverty, war, exploitation and crises in Africa, or the rest of the global south?

The debt problem

Despite its scale and importance now, Third World debt has not been a permanent feature of the global economic system. Neither is it primarily an expression of the developmental needs of the colonial and semi-colonial world. Rather, it is a function of the changing priorities and difficulties facing the imperialist powers.

As we shall see, these have varied with the evolution of capitalism since the end of the post-Second World War boom. Against a background of depressed accumulation in the metropolitan countries, extending credit to ?developing countries? offered an alternative route to profit maximisation as well as playing a political role through the years of the Cold War. However, as the mass of debt accumulated, it became a source of potential destabilisation for the very banks and governments who had used it to buttress their wealth and geopolitical power. In response, they began to develop an institutional framework through which to increase their control of the economies of the indebted countries, hoping thereby to ensure repayment.

With the end of the Cold War, US capital in particular, lacking lucrative investment opportunities at home, demanded the right to enter the markets, and buy up the resources, of the Third World in what has become known as ?globalisation". As a means of imposing their will, they developed the regulatory role of the ?multilateral institutions? such as the International Monetary Fund and the World Bank, using both existing debt and new credits as levers against any governments who hoped to offer resistance.

These are the foundations of the ?debt architecture? that the campaigners against Third World debt were hoping to convince the leaders of the G8 to demolish, foundations that were laid by those leaders? predecessors and their paymasters in order to secure their power. Little wonder then that the campaigners should have been so cruelly disappointed so quickly.

Banking on debt

Until 1973, most commercial banks steered clear of lending to the Third World, remembering the widespread defaults on bonds in Latin America in the 1930s. This all changed in the wake of the OPEC oil price rises of the early Seventies. Gulf oil monarchies saw their dollar revenues mushroom but had few outlets for such sums inside their own states. Quickly, 40 per cent of these funds ($333bn) found their way into US and UK banks in Europe, becoming known as ?Eurodollars?. These banks, in turn, needed to find profitable outlets for them at a time when rates of return on investment at home had been declining steadily for several years. Between 1972 and 1982, Eurodollar loans to Latin America jumped from $2bn to $22bn. Huge profits were made. The 13 largest US banks quintupled their earnings in first half of the 1970s from $176m to $836m; most earned the bulk of their profits abroad.

The IMF and World Bank backed this development believing that the loans would be invested in new projects which would then lead to increased export earnings. This would ensure that debtor countries could pay the interest on the loans while still having plenty of cash for domestic development projects. For their part, the governments of the global south were eager to borrow. Some needed more money to pay for their rising import bills - especially oil. Even third world oil exporters borrowed heavily since most of the loans on offer were at negative real interest rates.

The dismal record shows that most borrowed money was wasted. Some was used to buy off civilian protests, lots was poured down the sink of useless ?prestige projects". Still more was simply embezzled and hidden away in the private bank accounts of dictators such as Marcos, Mobuto or Suharto. Of the $252m lent by banks to Argentina, Brazil, Chile, Mexico and Venezuela between 1974 and 1982, one -third was spent on foreign real estate or funnelled into offshore accounts in the names of government officials or ministers.

Throughout the Cold War, the most brutal and corrupt of Asian, Latin American or African regimes could rely on receiving more loans and be confident of re-scheduling them as and when repayments became difficult - as long as they were loyal to the west. In those decades, nothing was heard from London or Washington about the need for ?accountability", ?transparency? or democracy.

This pattern lasted until 1979/80. On the back of the Iran-Iraq war, which broke out in 1980, oil prices doubled again in two years. When the Federal Reserve in the USA raised interest rates to curb the ensuing inflation, rates on commercial loans abroad went from 0.5% to 13.1%. At the same time, as many debtor countries were struggling to cope, commodity prices collapsed by 28% in 1981-82 as a result of the deepening global industrial recession. The ratio of debt servicing to export earnings for the Least Developed Countries (LDC?s) went from 15 per cent in 1977 to more than 25 per cent in 1982. The strain on government revenues became too much; Mexico and then Brazil defaulted on their repayments.

At this point, Latin American countries owed $205bn to commercial banks abroad. In 1970, the debt of all Third World debtors totalled $75 bn but by 1985 this had mushroomed to $900 bn. The role of the World Bank and IMF at this time was to mediate between creditors and debtors and their solution was a combination of rescheduling and new loans to cover repayments.

The result was a deterioration in the situation. The debt stock and arrears on repayments escalated, despite countries like Mexico paying out huge sums to the banks. In 1985, James Baker, the US Treasury Secretary, responded with a plan to further reschedule, repackage and delay repayments. This flowed from Washington?s continued belief that the Third World debtors faced a problem of liquidity, that is, cash flow, rather than debt sustainability.

By 1989, it was abundantly clear, after what has come to be called the ?lost decade? for Latin America countries beset with mass unemployment, plummeting real incomes and decimated welfare programmes, that this was not working. In the face of collapsed economies, James Brady, Baker?s successor, came up with a new strategy which marked a significant shift in policy. In this, 20% of the most hopeless debts were written off and the remainder were converted into bonds whose value was partially underwritten by the US

Treasury. In return, the IMF was given more control over the domestic policies of Third World debtors, a change in the role of the Fund which was to be developed still further in the next decade.

The bonds themselves paid handsome dividends to the banks. By the early 1990s, bonds totalling $200bn were being traded. Today, they account for 60% of Third World debt compared to 13% in 1980. Bonds need to be in external hard currency to be attractive to investors and interest rates vary depending on the nature of the country and the risk. The leverage that this gives bondholders, mainly big financial institutions, over the global south, was demonstrated in Brazil in 2002-2003 during Lula?s presidential election campaign. On market fears of a win for Lula, interest rates climbed from 7 to 24 per cent, taking debt servicing from 4% to 15% of GDP, or half of all tax revenues, and more than health and education spending combined.

Sovereign debt

In addition to loans from banks and corporations, there are also debts to governments, the so-called ?sovereign debt". Much of this originates from export credit agencies (ECA?s) that is, government departments, which underwrite the loans made by banks to corporations that wish to sell exports to Third World countries. About 95% of all debt owed to the UK government by developing countries originated from export credit guarantees. They create a win-win situation for the banks and the firms involved. For example, the commercial banks in the UK ?earn? a risk-free 0.75% interest each year on money advanced to companies this way (ie Â£3.8m on a Â£500m loan). Moreover, the figures include some 10-20 % above the loan itself to take into account money for the ?commissions? (ie bribes) needed to secure lucrative contracts.

In the UK, between 30-50% of all export credits are allocated to cover sales by UK arms exporters, so this is not money being made available to pursue targets for health and education outcomes, but to fuel the proliferation of the civil wars that Blair and others present as a ?domestically generated? impediment to development.

Should the debtor country fail to make the repayments on ECA generated contracts, then the government picks up the tab and pays the corporation what it is owed. This sum is then added to the debt owed to the UK government by the country concerned. So, when Blair says that these debts are to be cancelled, what this means is that the corporations concerned have already been re-paid out of taxation.

In the years 1982-2001, global ECAs backed $7.3 trillion of exports and $139 bn of foreign direct investment (FDI) to developing countries. In all, 80% of financing for projects and investment in the global south comes from the west?s ECAs - two to three times the level of aid provided by the World Bank and regional development banks.

As well as cancelling ECA-originated debt, Blair has also said that Britain?s Export Credit Guarantee Agency (ECGA) will end the routine use of its funds by UK exporters to bribe foreign officials. This, however, is largely a rhetorical gesture since the ECGA has no investigative powers. It is about as worthwhile a reform as the G8?s nonbinding code on the environmental standards which should be met by projects using ECA.

Multilateral debt

In the 1980s and 1990s, the IMF dramatically increased loans to Third World governments, mainly to enable them to service their debts to the banks, and this encouraged other agencies to follow suit. As a result, debts to multilateral institutions rocketed even faster than debt in general. While the total debt owed by the global south more than doubled in the years 1980-90 and then by half as much again by 1995, to multilateral agencies alone it more than quintupled, from $61bn in 1980 to $313bn in 1994.

Apart from Baker?s policy of limited write offs and conversion of debts into bonds, the only other major source of relief for debtor countries in the 1990s was via concessions from the so-called Paris Club of sovereign lenders, that is to say, the major imperialist powers. Although the Paris Club members negotiated as one, each debtor country had to negotiate for itself. These negotiations usually led to bilateral rescheduling agreements so the total level of debt remained the same, or even increased.

The 1995 G8 summit in Canada saw a major change of policy as the main paymasters of the IMF and World Bank realised that Paris Club rescheduling alone was not enough, a multilateral effort was needed. The G8 communiqué demanded that, ?the Bretton Woods institutions [IMF, World Bank] develop a comprehensive approach to assist countries with multilateral debt problems through the flexible implementation of existing institutions and new mechanisms where necessary".

Clinton?s White House had just appointed James Wohlfenson as head of the World Bank and now pressed for this G8 line. After an initial clash, which was overridden by Larry Summers, the new US Treasury Secretary, the IMF and World Bank announced in October 1996 the Highly Indebted Poor Countries (HIPC) debt relief programme. This incorporated a new objective, namely, ?to reduce the external debt of eligible countries as part of a strategy to achieve debt sustainability". In other words, instead of continually rescheduling and adding to debts, the policy now was to reduce them to a level at which, it was calculated, they could actually be paid.

This was the first time the IMF agreed to include its loans for potential write-off. But there were strings attached. The IMF insisted on strict adherence to its prescribed policies, the infamous ?structural adjustment programmes", for six years before write-off could kick in. These programmes, which included lowering of tariff barriers and the privatisation of public assets and services, reflected the interests of US corporations which were increasingly turning to financial speculation to boost profits after the Clinton administration repealed the Glass-Steagall Act.

In addition, the IMF judged the level of debt sustainability according to the country?s export/GDP ratio and absurdly high growth projections which meant that 40% of export revenues would still be ear-marked for debt repayments. This can be compared to the largesse with which Germany was treated by the USA and Britain after the Second World War when repayments were capped at 3.5% of revenues. The importance of political objectives in this programme can be seen from the fact that some deeply indebted countries, such as Nigeria, were simply left off the list.

After two years, just one country - Uganda - had graduated from the HIPC scheme and sub-Saharan countries as a whole were paying out more in debt service than they were receiving in aid. In fact, they were now saddled with debts that were three times the level of 1980.

It was at this point, in 1998, that the issue of ?Third World Debt? entered mass consciousness as the Drop the Debt movement hit the streets during the G8 summit in Birmingham. Over the preceding two years, Jubilee 2000 had collected 17 million signatures for its petition and the pressure to reform the HIPC programme was intense. The IMF and World Bank were also on the defensive after the recession in the East Asian economies in 1997-98, following the collapse of their currencies. High levels of debt service payments due in dollars suddenly became unpayable. The IMF was widely blamed for its role in precipitating this crisis.

At the G8 summit the following year, minor changes were made to the HIPC programme. More countries were now made eligible for relief (42 in total). The level of debt needed to pass into the programme was lowered. The time spent in ?adjustment measures? before ?graduating? was reduced. Moreover, poverty reduction was now acknowledged as a central aim of debt reduction and there was to be consultation with NGOs and debtor country parliaments on how to spend proceeds from debt relief. Finally, the amount of money available for writing down the debts was roughly doubled to $100bn.

Nonetheless, five years later, in 2004, only one-third of that $100bn had actually been delivered and only 14 out of the original 24 countries had fully passed through HIPC, that is, had reached ?completion point".

Uganda was the poster boy. It was the first to graduate and more money was, indeed, being put into primary education and basic health care as a result. Yet even Uganda still pays 12% of government revenues in debt repayments. In part this is because debt sustainability targets set by the World Bank assumed the price of coffee (a major Ugandan export) would remain stable at $2000 a tonne, but in fact it collapsed to $300 in one year. Moreover, while Uganda has received around $2bn in debt relief since 1998, it has also accepted a further $850m in new World Bank and IMF loans since 2000, thus beginning again the cycle of accumulating a mountain of debt which ultimately will mean that the primary education and health programmes will be sacrificed to pay the interest on the loans.

Even including Uganda, the total debt interest paid by the poorest countries in Africa actually increased between 1998 and 2000. As of spring 2004, the world?s poorest nations in the HIPC programme owed $458bn and 19 of the 27 countries receiving some debt relief still spent more than 10% of government revenues on debt repayments. Mali, Niger, Sierra Leone and Zambia even paid more in 2003-2005 than in 1998-2003! Against a total $30bn in debt relief for all HIPC countries since 1998, a further $24bn of new loans have been given.

This perfectly underlines the fact that, as Jubilee Research notes, in devising the HIPC programme, ?creditors have invented a framework that is designed to restore countries to a position where they can repay their debts". In other words, poverty reduction is a secondary or incidental factor - what matters is turning non-payers into ?good debtors".

Blaming the victims
While trumpeting the modest progress in a handful of countries since 1996, Blair and the World Bank/IMF are quick to blame the lack of serious progress, or deterioration, elsewhere not on their pathetically inadequate levels of debt relief but on?the Africans themselves!

World Bank officials and Blair explain away the lack of progress in achieving MDGs, particularly in Africa, as the result of corruption, civil wars and the spread of Aids. Yet, as we have already seen, it has been the bribery fostered by western corporations and condoned by governments and the prevalence of loans tied to arms contracts that have done much to fuel corruption and conflict.

Meanwhile, Aids is fundamentally a disease of poverty and oppression, which the West?s policies have done most to reproduce in Africa, and the sums given to African countries to stem the disease are wholly inadequate. Worse, as a recent article in The Lancet, hardly a radical journal, showed, the IMF/World Bank debt relief programmes actually hinder the fight against the spread of AIDS. The ?structural adjustment? conditions, now rebranded as ?Poverty Reduction Strategies? (PRS) attached to debt relief actually obstruct the fight against HIV-AIDS.

Most of these strategies impose a ceiling on various parts of a government?s spending budgets. If donor money is accepted after a budget limit has been agreed, then the IMF insists an equivalent amount is cut from the budget elsewhere, whatever the social costs. For example, last year, the Global Fund to Fight

Aids, Tuberculosis and Malaria agreed to give Uganda a grant of $201m, but these IMF rules mean that only $18m has actually been distributed.

The Ugandan people are being sacrificed on the altar of the IMF?s development model. This is based on the idea that the country has to raise its Gross National Income (GNI) by a strategy of maximising exports. This in turn demands that the value of the currency is not allowed to rise. According to the IMF?s theoreticians, additional aid might allow the government to reduce its budget deficit or improve its balance of payments and either policy could cause an increase in the value of the currency. In other words, in order to be able to sell cheaply to the West, Uganda must choose between fighting HIV-AIDS and its already existing budget priorities. Despite the grant, it is not allowed to do both.

Make poverty bearable

It was the slow movement on debt relief, even under the reformed HIPC programme, the diminishing prospects for achieving the UN?s development goals and the fear that Africa would become a recruiting ground for radical Islamist anti-imperialist forces, which forced the G8 countries to return to the question of debt cancellation and debt relief.

In September 2004, the British government proposed a plan for debt cancellation that would initially embrace 20 countries and possibly a further 45 down the road. Gordon Brown suggested that the IMF find the funds to allow it to cancel the debt stock owed to it by revaluing its gold reserves. His proposal for the World Bank was even less radical; to raise further monies from contributor countries to allow debt service payments not to be paid between 2005 and 2015. Britain has pledged to cover 10% of such payments. Britain in this way keeps political leverage over the debtor countries, threatening them with a suspension of debt relief in the event of wars and corruption or, no doubt, economic policies not to London?s liking. Overall, the package amounts, at best, to a 20% debt reduction for 20-40 countries over some 15 years.

The US favours a different approach. It suggests cancelling all HIPC debt to the World Bank by turning its loans retrospectively into grants. However, the US is not suggesting the rich imperialist countries increase the money they give to the World Bank to make up the loss so the effect would be to reduce the money available for any future grants. Washington wants IMF debt cancellation to be funded from resources gained as a result of a 1999 gold stock revaluation.

The US plan is an attack on multilateralism since it would cancel World Bank debt but at the expense of a massive reduction in future monies being available to the global south for development. In turn, this would make these countries more dependent on bilateral donations, increasing the leverage of any donor country.

The limits of the NGO critique

When 70,000 people linked arms to form a human chain around Birmingham at the 1998 G8 summit, they were gathered there under the slogan ?Cancel all Third World debt". But, in the face of a succession of damage limitation proposals from the G8, World Bank and IMF, the various NGO coalitions have scaled down their ambitions for reform of the system of debt bondage.

Jubilee 2000, now Jubilee Research, for example, now focus their energies on exposing the limitations and lack of progress in implementing the 27 country HIPC programme and suggesting ways of reforming it. In addition, they maintain a lower level campaign for debt relief for some 30 low income, developing countries. Make Poverty History, the global coalition behind the 2 July G8 protest in Edinburgh, campaigns for fair trade, debt relief and more aid. On debt, it argues that, ?The unpayable debts of the world?s poorest countries should be cancelled in full.? The campaign does not put figures on this demand, but does insist that debt relief should be guided by poverty reduction goals and have no strings, such as privatisation of public utilities, attached.

What unites the NGOs is, first of all, their focus on the poorest 30-50 or so countries, for which 100% debt cancellation would amount to between $35 and $80 bn. Secondly, all agree that the IMF should not be the judge of what is a ?sustainable? level of debt. Instead, the debtor countries must be centrally involved in the process of drawing up genuine poverty reduction programmes that ringfence resources for the basic education and health needs of the population and make debt servicing subordinate to this. Many NGOs take the UN?s Millennium Development Goals for 2015 as the benchmark for social reform and argue that debt relief must be commensurate with reaching these.

Thirdly, all demand an end to ?structural adjustment programmes? as a condition for receiving debt relief or more aid, and all insist on a massive injection of new money. MPH calls for a minimum increase of $50bn a year in aid and rapid progress towards the UN backed goal of each rich country devoting 0.7% of its GDP to overseas aid. Not only are most EU and G8 countries failing to meet this target, they have actually reduced their aid budgets in the last 10 years. Finally, the NGO?s generally support an international insolvency system in which debt distressed countries and their creditors take equal and joint responsibility for working out a solution.

The European Network on Debt and Development (Eurodad) is a coalition of 48 NGOs in 15 European countries that has drawn up proposals for financing the cancellation of poor country debts. It suggests the money comes from the sale of IMF gold reserves which, it is calculated, would raise between $35bn and $43bn, depending on the final sale price and allow 100% debt cancellation for the 40 poorest, highly indebted countries. This is a proposal that Eurodad believes ?is acceptable to the widest possible community of stakeholders, including borrowers and creditors".

The fundamental defect of the NGO approach is an acceptance of the existing world order, that is, the domination of the world by the imperialist powers which act to maintain the economic interests of the major corporations. Because it is only the eradication of this system that could actually allow the complete cancellation of debt and the systematic economic development of the semi-colonial world, NGO policies and proposals are always characterised by their limited scope, their partial solutions and, above all, their complete lack of a strategy for achieving even these inadequate goals.

Thus, the NGOs themselves have pointed out that the goal of the HIPC programme and the debt relief proposals being considered by G8 members is not social justice but debt sustainability. The IMF will not entertain any proposal that undermines its fundamental power relationship over the global south, as guardian of neo-liberal globalisation. Its job is to supervise a stable system of financial flows between the imperialist overlords and commercial banks on the one side, and the global south on the other in such a way that wealth generated in the global south flows steadily into the west?s coffers.

Eurodad undermines its own case when it acknowledges that ?naturally? the IMF would be firmly opposed to its gold sale proposal. Moreover, it accepts that, even if debt cancellation on this scale were to occur, it would not ?alter fundamentally the unequal creditor/debtor relationship which currently dominates the international debt architecture". It is the creditor who decides the what, when and how of debt relief ?and this approach has failed to guarantee debt sustainability in low income countries and does not take into account the urgent development needs of these countries."

Taken at face value, the NGOs? radical reform proposals amount to asking the IMF and World Bank to change their structure and practice and to negate their essential nature. This will not happen so long as their G8 paymasters preside over imperialist domination and neo-liberal globalisation forms the basis of their rule. It would be clearer and more honest if they were to demand the abolition of the IMF and World Bank.

While certainly not the end of imperialism, this would be a meaningful and supportable reform. The realisation of the IMF?s assets of some $370 bn, together with the smaller assets of the World Bank, would go a long way towards writing off the $523bn debts of the 61 poorest countries, those with a GNI of less than $760, for example. Nonetheless even such a radical reform would not completely eradicate the debt of even this small group of the most indebted countries. This shows not only the scale of the debt problem but the wholly inadequate nature of the NGO strategy.

Jubilee Research is open about excluding countries such as India from their campaigns for debt relief, ?because they can meet the MDGs without further debt cancellation". Here we see the problem of staying within the parameters of ?debt sustainability". India, for example, annually pays out tens of billions of dollars in debt repayments. The same applies to Mexico, Brazil and other ?less poor? countries in the global south. Debt service for all non-HIPC countries in the global south reached $374bn in 2000, a $78bn increase on 1998. This money can and should be used for providing jobs and services in the global south, not underwriting the opulence of bank shareholders in London and New York. The value of these original loans has been repaid many times over and not a cent more should be paid.

Even such a wholesale cancellation of debt, which would surely destabilise the world?s financial systems, would still leave the great bulk of humanity living in poverty and the greater part of wealth and productive capacity based in the imperialist nations. Reconstruction and development to redress these balances would require a transfer of wealth, in effect, reparations, from the imperialist powers. ?Reparations? accurately signifies that what is at stake is payment for crimes against the global south. We are speaking here of hundreds of years of colonial and semi-colonial plunder and exploitation, through land grabs, theft of natural resources, slavery and, more recently, through enforced privatisation of state assets.

If this were to be done while respecting the property rights of the major corporations and financial institutions, it could only take the form of a gigantic loan that would begin again the long cycle of indebtedness. On the other hand, if it were to be done by ignoring their property rights, that is, by expropriation, it would challenge the very survival of the capitalist system.

And that, in a nutshell, is the foundation of the NGO?s strategic inadequacies. As charitable organisations, they are dependent on donations from within the wealthier, that is, imperialist, countries. Institutionally, they are tied into the existing social and political structures even though their principal concern is to bring aid to the most vulnerable victims of the economic system dominated by those countries. Like the reformist parties, therefore, their starting point is an acceptance that the fundamentals of the capitalist system cannot be challenged, even where these conflict with their own declared goals. In other words, for them, another world is not possible.

That is why the NGO?s feel that, to be realistic, they should narrow down the focus of their campaigns and concentrate primarily on the most needy, the most vulnerable, the most pitiful. Their strategy is one of argument and mobilisation of public sympathy for the victims, rather than the creation of a social force capable of imposing solutions on the creditors. As a result, they not only reduce the size of the potential coalition of active anti-debt forces in the global south (indeed, run the risk of setting them against each other in the rush to get the begging bowl out) but also exclude the largest number, and the most organised, militant working class forces from throwing their weight behind anti-debt campaigns.

This, in turn, leads us to the key question, ?what methods of struggle could lead to complete, or even radical, debt cancellation?? The NGO strategy may be sufficient, as in 1998, to bring about small and inadequate reforms of a very limited debt relief system, designed to write-off unpayable debt arrears, but it cannot destroy the ?debt architecture". For this, what is needed is a prioritised focus on mobilising working and popular classes in the midst of debt-induced social and political crisis, such as have convulsed semi-colonial countries in the past 25 years: Mexico 1982, Indonesia, 1997, Argentina, 2001/2.

In the here and now, this means supporting the movement for the re-nationalisation without compensation of the gas reserves in Bolivia which were privatised by the governments of Sanchez de Lozada and his successor President Mesa as part of the price of ?graduating? from the IMF?s HIPC programme. This movement, whose development is dealt with elsewhere in this journal, has already brought down the Mesa government and revealed, once again, the incompatibility between the interests of the working classes and peasantries of such countries and the policies demanded by the imperialist creditors - and any governments that seek to implement them.

Whether such crises emerge out of struggles against cuts in welfare, or against privatisations or, as in Argentina, the collapse of a currency, it is through them that the latent and slow debilitating effects of debt bondage erupt to the surface and open the eyes of millions to the source of the problems they face. With the right leadership, the working class led movement can bring down pro-imperialist and pro-IMF governments and, by establishing its own government, based on its own insurrectionary organisations, repudiate the debts owed. On an international scale a cartel, or united front, of such heavily-indebted regimes would create a problem that would be beyond the IMF?s resources to solve, bringing down the whole ?financial architecture".

The waves of solidarity that such a movement would generate in the global north would also help forge a political movement demanding debt cancellation. And such a movement increasingly can draw upon the tens or hundreds of thousands who have been literally defrauded by the west?s banks when persuaded to invest their money into debt bonds. Many thousands in Italy, for example, found their savings wiped out overnight by the decision of Argentina?s government to default on its unsustainable debt.

Finally, it should also be recognised that debt is only part of the problem for the global south. This is explicitly, albeit inadequately, recognised in the MPH manifesto?s demands for ?fair trade". Even if debt burdens were reduced, even for a while, to levels that allow for some social welfare system to survive, the countries of the global south would remain at the mercy of corporate globalisation. The repatriation of super-profits made out of the toil of the badly paid workers in Asia, Africa and Latin America is a function of exploitation and not simply parasitism. Ultimately, all those who are committed not only to ending debt but removing the roots of poverty will need to adopt a new slogan, Make Capitalism History!

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