

Tuning our ears to hear the protests

Jubilee Australia

2012 Review



JUBILEE
AUSTRALIA

Tuning our ears to hear the protests

Time Magazine's 2011 Person of the Year was 'The Protester', inspired no doubt by the revolutionary wave of demonstrations and uprisings that began in the middle east region, December 2010. Time will tell just what are the implications of the political revolutions still unfolding in places like Tunisia and Egypt. What we do know is that there was a notable shift in the way we perceived the 'protestor'. Most of us who had a sideline seat, thanks to TV and internet, watched on with interest, admiration and respect, as citizens had the courage to take a stand against their military-backed regime, despite great danger and personal cost.

Perhaps we ourselves also fear non-democratic governments, and this can explain why we paid greater attention to the people holding their ground in Tahrir Square. But even if this is so, it raises an important question for us - do we hear the cries of other protestors in our world, or are our ears turned off to their sound?

I think it is fair to say that for many years, 'protests' have been portrayed by mainstream media and in much of the public's mind in a negative light. 'The protester' represented the disruptive, recalcitrant, trouble-making type - in contrast to the hard-working, compliant community member who just 'gets on'. Those of us in anti-poverty NGOs who are trying to gather public support for our cause, are warned to be careful of using 'activist' language, or the language of 'protest', lest we scare people off.

As a result, citizens in impoverished countries are often portrayed in the fundraising material of charity organisations (and in the media) as quietly quiescent. A passive, powerless mass of poor on whose behalf we're encouraged to speak. But how can we presume to speak on another's behalf if we are not listening to what they're saying?

Viewing people in our world who are financially poor as active agents on the frontline of the struggle against poverty, is the backbone of Jubilee Australia's work. After all, the 'protestor' as celebrated by Time Magazine is not just the person who took part in Egypt's Tahrir square. It is also the villager in Papua New Guinea, the resident of a





We challenge you to tune your ears with us, to hear the protest cries - not for charity, not for money, but for fair treatment, and the chance to live a dignified life.

Manila slum, or a street vendor in Jakarta, who will not stay silent while they and their children suffer in the face of gross inequity and injustice.

Our work is connected to the grassroots struggles, large and small, of communities in our region who are demanding their right to a decent life.

It has been my great privilege to lead this work over the past 5 years. Although stepping down from the position of Director at the end of 2012, I am very proud to be staying involved with Jubilee, and I have a great sense of confidence as I hand over to my colleague Carmelan Polce.

Carmelan brings exceptional skills to Jubilee, and since joining us in 2011 has already proven herself an incredible asset, capable of taking Jubilee's work from strength to strength.

Jubilee Australia's governing board is also undertaking a period of review and renewal in 2013, which will further strengthen the foundations of the organisation.

Please enjoy the read within, and if you're not already, consider becoming a member of Jubilee Australia by donating monthly, to help us finance this critically important, independent work.

Adele Webb



Image above: Protest against Asian Development Bank economic policies, Manila (Philippines). Photo Credit: Claire Miranda.

Cover page image: Marching to mark Human Rights Day, 2010. Catabato City, Mindanao (Philippines). Photo Credit: Chih Yung Jon Fang.

Our mission



“I don’t think we should just let a nation off the hook because we are sympathetic to the fact that they are having difficulty. As debtors, I think they should be made to pay as much as they can bear without breaking them. You just can’t let your heart rule in these situations.”

These are the words of the Secretary of the US Treasury, Donald Regan, in the early 1980s.

Much of what we call ‘development’ or ‘aid’ shares this underlying premise - that those countries which are poor have become so due to their own malfeasance. Any help offered by wealthier, developed countries is, therefore, a form of charity - an offer to help even when it is not deserved.

At Jubilee Australia we fundamentally disagree with this premise. Jubilee is not calling for charity, but changes to the economic policies and practices that disadvantage the poor. We believe that the

global economy has been structured in a way that is deeply unfair, worsening inequality and poverty in many parts of the world.

We believe that over the long term, our efforts have to tackle poverty at its political roots and change the global economic rules of engagement, if the poor are to do anything more than struggle against the tide of political and economic forces working against them.

Jubilee Australia emerged out of the successful international Jubilee 2000 movement, when 24 million people signed a petition calling for ‘Third World’ Debts to be cancelled by the year 2000. In response, the IMF and World Bank implemented a debt relief program, known as the Heavily Indebted Poor Countries (HIPC) initiative, which wiped out about US \$125 billion of debt. Governments were able to start spending money in ways that benefited their people.

But the ‘Jubilee’ idea goes beyond cancelling some debt. It is a call for justice,

a call for changes in the global economy to foster a society based on justice, fairness and sustainability.

We work with some of the best academic minds in the country to produce rigorous research into the effects of Australian government policy, and Australian business practice, on already impoverished communities overseas. Not only do we expose the deeper story behind global poverty, we push the government to make the changes that are most needed. And as Jubilee Australia has been doing for more than a decade, we continue to raise awareness amongst the public about the root causes of global poverty, and ways in which we can all become involved in making a difference.

We also benefit from being part of a global network of organisations, groups and peoples’ movements from all corners of the world, who are also fighting for the right of people in less-developed countries to live lives of dignity and well-being, free from extreme poverty.



More than charity...the 'Jubilee' idea is about ending structural inequality and the exploitation of the poor by the rich.

It is a call for changes in the global economy to foster a society based on justice, fairness and sustainability.

The right to *refuse* to repay someone else's debt

Cancellation of illegitimate debt

This year marks 30 years since the 'Third World Debt Crisis' came to the world's attention.

Since at least the early 1980s, less-developed countries in Asia, Africa and Latin America have seen recurring sovereign debt and financial crises disrupt their economies, stifle their development, and cause suffering to their people. But this continual recurrence of damaging debt crises was not inevitable.

The origins of the 'Third World' debt crisis can be traced back to 'development loans' which began in the 1950s, primarily given by government export credit agencies and international institutions like the World Bank, to facilitate poor countries to buy rich country exports.

In the 1960s and 70s, developed nations and the international

institutions loaned millions upon millions of dollars to countries that quite obviously had no capability of paying them back in the foreseeable future.

The lending frenzy was driven by the Cold War power struggle between East and West. Publicly, the loans were presented as a means to fast-track development and poverty alleviation. In reality, it was more like political commerce, trying to buy the alliance of commodity rich countries and strategic geopolitical strongholds across the developing world.

Creditors agreed to give money to administrations and dictators that were known to be corrupt and non-democratic. They put funds behind white elephant projects that were obviously going to bring no benefit to the people of debtor countries, but

which were massively profitable for the companies of creditor nations hired to implement the project, and for the corrupt elites in the developing nations who profited from pushing through the bogus, often illegal deals.

Profligate private bank lending to developing countries also began in the 1970s, as a result of changes in European and North American financial markets - the excess cash needed somewhere to be invested lest it cause inflation in rich countries.

When international interest rates shot up in 1979, at the same time as the selling price for primary commodities like sugar and coffee plummeted, even paying the interest on these loans became unmanageable. Mexico and Brazil were the first to default in 1982. Much of the rest of the less-developed world followed.

Today, the world's poorest countries *still* pay 5 times more to wealthy countries in foreign debt than they receive in aid.



“The elite in general in the debtor countries are certainly not the ones that suffer most from the debt crisis; on the contrary, part of them is taking advantage from the debt.

[...] Servicing foreign debts is usually in the personal and economic interests of the elites, though ultimately not in the best interests of the majority of people who have to be ‘less healthy, less educated and less well nourished to enable the debt to be repaid’.

Former Finance Minister of Brazil, Professor Bresser Pereira.

Since the mid-1980s, the ‘debt spiral’ has meant that developing countries have been forced to take out fresh loans in order to meet existing debt repayments.

The evils and human suffering that result from the debt repayments forced on poor countries by their creditors are well known. The living conditions of the most deprived people in the world have deteriorated almost everywhere over the last twenty years, though at different times, to different degrees and at different rates from one country to another. Yet wealthy governments and international financial institutions never cease to demand the repayment of external debt.

Despite there being a long history of countries defaulting on their debts, in the past 25 years countries have been hesitant to stop servicing their debts and sovereign defaults have been relatively rare. One significant reason very few countries default on their debts is the same reason much of the Global South’s debt is illegitimate or odious: political power of elites in indebted countries have personal interests that are tied to the interests of foreign creditors. In Latin America, for example, the richest 10% were made richer by the debt crisis.



Citizens in the Philippines, Indonesia, Zimbabwe, Zambia, Bolivia, Argentina, Pakistan and more places around the world, are demanding Debt Audits.

(Image right: Launch of the independent Citizens’ Debt Audit Commission. Photo credit: Freedom from Debt Coalition, Philippines).

Is Australia a responsible lender?

The case of Indonesia...

Along with its neighbour, the Philippines, Indonesia's economy is dominated by the spiral of debt - continuous repayments constantly financed by new borrowings. Even with consistent economic growth through the early and mid-2000s, Indonesia remains a country with deep impoverishment, severe inequality and a stifling debt overhang.

In the national budget of 2009, debt servicing represented expenditure 11 times greater than that on public health, a bleeding of national income that is patently costly in a nation with a severe disease burden and unacceptably high poverty levels.

Despite the punishing annual repayments and almost half the population mired in poverty, Indonesia, as a 'middle income country', has not been eligible for the World Bank/IMF- mandated debt relief programs

Ample evidence exists, dating back to the 1960s, of loans being contracted illegally by Indonesian public officials to serve their own personal interests. These were practices of which the wealthy countries, businesses and development institutions that were extending the loans were well aware. And yet, for the sake of selling exports to Indonesia or securing political clout over the country's government, the lending continued with little thought as to the ultimate cost and how it would be repaid.

Civil Society groups in Indonesia, including anti-poverty and anti-debt campaigners, want a transparent national financial system — including disclosure on currency, foreign reserves and capital flight — before their government commits public funds to repay old and new foreign loans. They are calling for creditors and donors like Australia to be responsible and accountable for illegal or corrupted financing extended to their government.

Since 2007 we have been shining a spotlight on Australia's loans to Indonesia, in order to establish their legitimacy.

Did Australian loans benefit Indonesia?
Was there known corruption involved
Should they be repaid? Or should they be cancelled?

Indonesia's debt to Australia was around \$1 billion for the best part of the late 1980s, 90s and 2000s, rising to occasionally as much as \$1.5 billion.

Over 97 per cent of the money owed by Indonesia to Australia was loaned during the 1980s and early-1990s as part of the Development Import Finance Facility (DIFF) scheme. A policy of the Australian Department of Foreign Affairs and Trade, DIFF was intended to open up new foreign markets for Australian exporters while at the same time assisting the 'development needs' of importing countries. Recipient governments were offered 'export credit' loans partially supported by aid grants to fund the import of goods and services from Australian companies.

DIFF was contentious and heavily criticised for misusing the overseas development assistance program to promote Australian exports, being labelled a 'subsidy to domestic business'. In 1996 the policy was discontinued following a change of government.

Over the nine-year period between 1984 and 1993, Australian construction company Transfield received the benefit of approximately one-third of the taxpayer-raised DIFF funds to pursue a joint venture with Indonesian trading partner, PT Bakrie & Brothers, building around 2,500 prefabricated steel bridges in the country. The latter company was owned by Aburizal Bakrie, a controversial Indonesian government figure and one of Indonesia's richest men who secured his fortune through his close links to the Suharto regime, but who has since been implicated in serious charges of corruption.

In 2010 more than 50 per cent of these loans still remained unpaid.

In 2008, Jubilee launched a series of applications under the *Freedom of Information (FOI) Act*.

We sought documents concerning loans to Indonesia that we suspected were illegitimate. What we discovered was that the details of sovereign debts owed to Australia are secret, even those that are still on the books after more than two decades. The Australian export credit agency, EFIC, relied on its exemption from the FOI Act to refuse us access to over 800 documents identified as relevant to our enquiries.

For the past four years, we have been making the case to the Government that the Australian public has a right to know whether the DIFF scheme loans given in the 80s and 90s were made more for the purpose of boosting Australian exports than to serve the development needs of Indonesia; and whether they involved or facilitated official corruption.

Following our sustained pressure, last year the Government ordered an independent inquiry into Australia's export credit arrangements. The final report of the Productivity Commission Inquiry, released in June, supported Jubilee's position:

“The Australian Government should remove EFIC’s special exemption [...] from the Freedom of Information Act 1982 (while retaining protection for Cabinet and commercial-in-confidence material).”

Productivity Commission Inquiry into Australia’s export credit arrangements, Final report, June 2012.

We're closely monitoring the Government's response to this recommendation and many others related to Australia's export credit arrangements, which is due any day.

Thank you!



...to our supporters who have been backing our 'Lift the Lid' campaign since 2007. It is hard work, but together our persistence and our determination, not simply extend charity to the poor, but to change the unjust rules of engagement, is paying off.

The right to *resist* being the prey of greedy, unscrupulous profiteers

Stop Debt Vultures

Vulture funds are private investment firms that prey on the world's poorest countries. These commercial bankers circle developing countries on the lookout for debts that the country is struggling to repay. Then they swoop down, purchase the debt on the secondary market for a cheap price, and sue the poor country to recover the full value of the debt, plus interest, penalties and legal fees.

In 2007 Vulture Funds hit the UK headlines when Donegal International, an investment firm registered in the tax haven British Virgin Islands, sued Zambia in the British High Court for \$55 million, for a debt it had bought for \$3.3 million. After campaigner pressure and legal support, Donegal was awarded \$15 million - which Zambia had no option but to pay,

even though, as pointed out by Presidential Advisor Kalunga-Banda, paying Donegal meant "the treatment, the Medicare, the medicines that would be available to in excess of 100,000 people in the country will not be available."

The insatiable greed of a small number of individuals is undermining international debt relief initiatives. Money that thanks to debt relief, should be going to lifesaving medicines and schooling, is lining the pockets of wealthy investors instead.

Without legislation to prevent it, these so called 'vulture funds' are free to profiteer from poor country debts in Australian courts. In 2010 one did just that.

Since 2011 Jubilee Australia has been stirring public sentiments with the story of a small New York

based private equity firm that earned \$32 million by suing the Democratic Republic of Congo in an Australian Court.

Following the successful campaigning of Jubilee UK, which resulted in landmark legislation, we want the Australian Government to follow suit and outlaw this vulture fund activity in Australia.

In 2012, Independent Member Rob Oakeshott moved a motion in the House of Representatives, seconded by Labor MP Melissa Parke, supporting our campaign and calling upon the federal government to act - to close the legal loophole which currently allows vulture funds to unconscionably profiteer off the indebtedness of developing country's in Australian courts.



“The Independent Expert calls upon the Government of Australia to bolster its commitment to debt relief by urgently enacting legislation to limit the ability of vulture funds to use Australian courts at the expense of both Australian tax-payers and the citizens of the poor countries for whose benefit it contributes to multilateral debt relief.”

United Nations Independent Expert on Foreign Debt and Human Rights, Dr Cephus Lumina, following his mission to Australia in February 2011. Dr Lumina urged Jubilee Australia to follow in the footsteps of our Jubilee colleagues in the UK. Three months later we launched the Stop Debt Vultures campaign.



Campaigners outside the UK's Privy Council, where vulture fund, FG Hemisphere, took its fight for \$100 million from the Democratic Republic of Congo.

(Image Right. Photo credit: Jubilee Debt Campaign UK).

It does make a difference, keep it up!

Thousands of Australians have sent Stop Debt Vulture postcards to their member of Parliament since the beginning of this year, such that when Jubilee's staff arrived at Parliament House in July to have face-to-face discussions, we found the support of many MPs and Senators right across the political spectrum.

It's not too late to join in. To order postcards for you, your friends or group to send, just phone us on (02) 8259-0817 or email inquiry@jubileeaustralia.org.



Dear _____ MP,

The financial crisis has exposed a global financial system which urgently needs cleaning up. I am particularly concerned about "vulture funds", private companies that profiteer from poor country debts, buying them up cheaply and suing the poor country for massive profits. At least 54 companies, many based in tax havens, are known to have taken legal action against 12 of the world's poorest countries in recent years, for claims amounting to \$1.5 billion. This means money released by international debt relief initiatives is going into the pockets of wealthy investors instead of into health and education programs.

In November 2010 the NSW Supreme Court ruled that the Democratic Republic of Congo (DRC) must pay more than \$30 million to a New York vulture fund.

Australia has contributed millions to support these debt relief initiatives. Yet as the UN Independent Expert on Foreign Debt and Human Rights said on his recent mission to Australia: "It is illogical to grant debt relief to poor countries while at the same time allowing vulture funds to litigate against these countries and thereby dilute the gains from debt relief".

In 2010 the UK Government took action to prevent vulture funds from exploiting the poorest countries in the world through British courts.

The Debt Relief (Developing Countries) Act 2010, made permanent in 2011, stops the unjust actions of a few unscrupulous companies having a huge impact upon the futures of some of the poorest countries in the world.

By following in the footsteps of the UK and enacting specific legislation, Australia would ensure that a vulture fund never again uses our courts to exploit one of the poorest countries in the world.

I urge you to show your support:

Sign the Parliamentarians' Declaration to Stop Debt Vultures. For information: www.stopdebtvultures.org.au

Write to the Foreign Minister asking him to support the enactment of legislation to ensure that the millions of Australian aid dollars committed to debt relief for the world's poorest countries will not be diverted to satisfy the greed of unscrupulous investors.

Signed: _____

Postcode: _____

For more copies of this postcard phone (02) 8259 0817 or email inquiry@jubileeaustralia.org or www.stopdebtvultures.org.au

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The right to say *no* to environmentally and socially harmful projects on your land

Putting limits on mining

This indigenous community in the northern Philippines faced pollution of their only fresh water source by an Australian operated mine on a nearby hill.

(Image Right. Photo credit: Adele Webb 2010).



While theoretically, a country's natural wealth in underground minerals should provide a large economic boost, in reality the opposite has proved to be true - the economies of developing countries rich in natural resources have, almost without exception, grown at a slower rate than the economies of those countries that are natural resource-scarce. This phenomenon has become known as the 'resource curse'.

Furthermore, despite improved safeguards in more recent times, mining activities pose serious risks to environments and livelihoods of local communities. Impacts from projects often result in mining activity hindering social development, rather than improving it.



PIPE DREAMS

The PNG LNG Project and the Future Hopes of a Nation



Jubilee Australia's new research report:

PIPE DREAMS

Our latest investigative report, Pipe Dreams, was published this month after 18 months of research. The extensive 70-page report takes an in-depth look at Exxon Mobil's US \$19 billion Gas Project in Papua New Guinea's Southern Highlands, and its foreseeable impacts on the country's precarious political institutions, economy and society.

The findings raise concerns that the Australian Government, by investing taxpayer funds into the massive Project, has placed already vulnerable Papua New Guineans at even greater risk, in order to prop up the balance sheets of private Australian corporations.

PNG LNG is a liquefied natural gas scheme backed by the largest project finance deal ever made, including an Australian export credit loan of US \$350 million. It has been hailed as a catalyst for PNG's economic

“If this project is going to pay off for PNG's broader economy, and if the vast government revenues are going to be preserved for the people's long term future, a great many factors will need to go exactly right. In our assessment, the greatest risk-bearers in this Australian-backed 'roll of the dice' are among PNG's most vulnerable...The greatest benefits from the project will most certainly be accrued by the multinational corporations and the local political elites in PNG.

“Many community leaders have gone on record making public threats against the Project and its workers if they do not get what they want, and informants say that weapons are being smuggled into the region in preparation for violent conflict if expectations are not met...The project proponents and financiers, including the Australian Government, were warned about these possibilities many times, and yet they backed the project anyway.”

Luke Fletcher, Jubilee Australia Research Director.

transformation. But our research casts doubt over the overly positive predictions, suggesting that in some cases they may simply be 'pipe dreams'.

The report highlights the warning signs from community leaders in the affected areas, that they will take disruptive action if they grow unhappy with the Project.

It also claims that the Australian Government will share the largest burden of complicity in any serious Project-related trouble which unfolds in PNG.

The significance of Australia's involvement in supporting the PNG LNG Project reaches far beyond its relative small share of the

total debt package. Viewed as the 'PNG specialist', Australia's involvement was something of a green light in PNG LNG securing financial backing of other international export credit agencies as well as the commercial banks.

Since the launch of its previous report Risky Business in December 2009, the same month the Rudd Government announced it would extend the largest ever export credit loan to support the LNG project, Jubilee Australia has been putting Australia's Export Finance and Insurance Corporation (EFIC), and the financial support it gives to Australian mining, oil and gas companies, under the spotlight.

From the new Jubilee Australia Director

The strength of many working together does achieve more

2012 has been a busy year for us at Jubilee Australia. Not only have we been pursuing the important work highlighted in this newsletter, but we have also played an active role in coalitions here in Australia. As they say, a cohesive group of people and organisations working together is more than the sum of its parts.

Jubilee Australia is a founding member of the Tax Justice Network Australia (TJN-A), formed early this year as part of the world wide coalition of groups calling for fairer tax systems, including end to tax haven secrecy and transfer pricing by multi-national corporations, which sees less-developed countries lose \$10 for every \$1 they receive in aid.

We were also a founding member of the 2011-established Publish What You Pay Coalition in Australia, with Oxfam Australia and Transparency International. The coalition provides a united front to the government on the importance of

transparency in the oil, gas and mining sectors, by companies and governments both in Australia and abroad.

The Australian Government has been one of the strongest proponents of implementation of the Extractive Industries Transparency Initiative (EITI) by developing countries. While this is important, we believe that Australia should practice what it preaches.

In 2011 the Government agreed to undertake a test run (pilot) of the EITI in Australia. We are one of the seven civil society members on the Multi-stakeholder group, which also includes members from State and Federal Governments, and industry.

We may be small, but we have earned the respect and support of organisations much larger than ourselves, because of the dynamism and energy that springs from the deep commitment of all those involved in our work.

It is a great privilege to engage in the critical work of Jubilee Australia with such committed supporters. Thank you sincerely for journeying with us - many of you from the days of Jubilee 2000 Drop the Debt rallies and petitions more than a decade ago. We greatly appreciate and value your contribution to our mission. It is inspiring to know that there are so many of us sharing the vision of a world in which opportunity, justice and prosperity are shared more equally.



**Carmelan Polce,
Executive Director**



Jubilee Australia Finances

		Accounts 2012*	Budget 2013*
INCOME	Donations	40,841	46,000
	Grants	68,341	68,360
	Total Income	109,182	114,360
EXPENDITURE	Debt Campaign	22,502	33,900
	Mining Campaign	33,643	37,500
	Global Governance Campaign	27,328	21,400
	Administration, overheads & fundraising	21,138	16,300
	Total Expenditure	104,611	109,100
	Surplus	4,571	5,260

Jubilee Australia stands apart from most other anti-poverty groups and charities in Australia because we don't take money from the government or corporate donors. We rely on donations from individuals and grants from non-profit organisations, which enables us to be a critical and independent Australian voice on global poverty.

And, as a small organisation with a very small operating budget, we can say with the deepest sincerity that each and every one of our supporters is an integral and highly-valued part of the Jubilee Australia family. The commitment of our members and financial supporters to long term change, and the vision to see a world without so much unnecessary suffering and impoverishment, is an inspiration to us.

So, as we celebrate the work of Jubilee Australia over another year, we say to our friends and supporters - *THANK YOU!*

* Financial year accounting

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