Debt Cancelation Campaign Newsletter

January 2017

(The complete version of this newsletter is available only in Japanese. These are some of the English language articles used in the latest edition of the Japanese newsletter.)

Growing Wealth Gap

Eight men own the same wealth as the 3.6 billion people who make up the poorest half of humanity, according to a new report published by Oxfam today to mark the annual meeting of political and business leaders in Davos.

Oxfam's report, 'An economy for the 99 percent', shows that the gap between rich and poor is far greater than had been feared. It details how big business and the super-rich are fuelling the inequality crisis by dodging taxes, driving down wages and using their power to influence politics. It calls for a fundamental change in the way we manage our economies so that they work for all people, and not just a fortunate few.

In the US, Rex Tillerson, CEO of Exxon (now President Trump's Secretary of State), received a salary of more than $40 million in 2012. The 400 richest Americans now own more wealth than the GDP of India. In contrast, vast numbers of their fellow citizens have less than $1000 in their savings and cheque accounts combined.
http://www.eurekastreet.com.au/article.aspx?aeid=48338

As reported in previous editions, The United Nations and CSOs such as Global Financial Integrity estimate that illicit flows from Africa alone are as much as US $50 billion per annum. And then there are the 'licit' flows. And wealth is being transferred not only from poor countries to rich countries, but also from poor people to rich people within the same country.
http://www.uneca.org/iff
https://www.google.co.jp/search?site=&source=hp&q=illicit+financial+flows+from+africa&oq=illicit+financial+flows+from+africa&gs_l=hp.3...2136.11554.0.13257.0.0.0.0.0.0.0.0..0.0.ernk_qsd...0...1..64.hp..0.0.0.Tg17GjCemPY

Debt

One way wealth is transferred from poor countries to rich countries is via debt. Many indebted countries have repaid the amount they borrowed many times over but are still in debt. Indebted poor countries were given debt relief (full or partial cancelation) on the condition that they implement Structural Adjustment Policies (SAPs), (docx), (pdf) i.e., change various structures: devalue the national currency (in order to bring down the prices of exported goods and attract strong currencies), raise interest rates (in order to attract international capital), reduce public expenditure (reduce public service staff, reduce budgets for education and health, etc.), privatize national enterprises, reduce public subsidies, freeze

salaries, etc. All this is to free money to repay debt and to make it easier for rich country industries to invest in the poor countries.
http://www.cadtm.org/Structural-Adjustment,1133

These SAPs have led to higher prices (because of a higher consumption tax and because of free market prices) and to a dramatic fall in the income of local populations (a result of rising unemployment and of the dismantling of public services, among other factors).

The increase in the number of people living in extreme poverty is the direct result of the policies that the World Bank and IMF have been recommending since the 1990s.

In this way, debt exacerbates inequality by giving large profits and interest payments to the wealthier (the lenders), but loading the burden of crises onto the poor through spending cuts and increased taxation. CADTM (Committee for the Abolition of Illegitimate Debt) says that debt represents the shock which is necessary "to render politically unavoidable what is socially unacceptable".
http://www.cadtm.org/Meeting-From-the-Genoa-G8-to-the

The lenders obviously know by now that debt promotes the flow of money from the developing countries to the developed, so we have to say that the rich are using debt to enrich themselves: the purpose of lending and debt, in some cases at least, is to enrich the lenders rather than help the borrowers.
http://www.cadtm.org/Are-we-heading-for-another-debt

Now debt, structural adjustment and austerity have come to the developed world, for example, Greece. The government has cut spending, increased taxes and made other changes, which have triggered local riots and nationwide protests.

This is "the economy that kills" and "the invisible tyranny" of financial markets that Pope Francis wrote about in *Evangelii Gaudium* (53, 56). In Europe the Church is working with CSOs to tackle the debt issue.

Some commentators say that anger at this economy was behind the Brexit vote and the election of Donald Trump. The people who run the global economy seemed to acknowledge this. They talked a lot about the need for inclusive growth and a capitalism that worked for all. To those who have been left behind in the past three decades, they said, "We get it; we feel your pain." However, there was not the slightest hint from the International Monetary Fund (IMF) or World Bank that the policies they advocated – austerity, privatisation and financial liberalisation – have contributed to weak and unequal growth, with all the political discontent that this has caused.
https://www.theguardian.com/business/2016/oct/09/the-world-bank-and-the-imf-wont-admit-their-policies-are-the-problem
http://www.cadtm.org/Meeting-From-the-Genoa-G8-to-the

New Debt Crisis?

Now there is talk of another developing country debt crisis. Developing country debt payments increased by 45% between 2014 and 2016. They are now at the highest level since 2007. Debt service as a percentage of government spending in low and low-middle income countries is up to an average of 27% of total government revenue. The increase follows commodity price falls and the rising value of the US dollar (a 20% increase). These changes have reduced the income of many governments which rely on commodity exports for earnings.

They have also caused exchange rates to fall against the US dollar, which increases the relative size of debt payments as external debts tend to be owed in dollars.

Low interest rates in Western countries have also driven a large increase in lending to developing countries — where they can charge higher interest rates — in recent years. Annual lending to low income country governments more than trebled from $6.1 billion in 2007 to $20.5 billion by 2014 (the latest year with figures available). Furthermore, multilateral institutions and governmental lenders such as China, France, Germany and Japan have increased their annual lending.

Countries with the highest debt payments in 2016 include:
• Commodity producers which have been hit by price falls – Ghana, Mozambique, Angola, Laos and Chad
• Countries on the frontline of refugee flows from Syria – Lebanon and Jordan
• Small states which were previously considered ‘too rich’ to benefit from significant debt relief initiatives – Grenada, Jamaica and the Dominican Republic.

The countries with the highest external debt payments as proportion of government revenue in 2016 were:

Angola	44%
Lebanon	42%
Chad	39.2%
Ghana	36.8%

Mozambique and Ghana are unable to pay their debts.

Developing country external debt payments had fallen between 2000 and 2010 because of rising prices of commodity exports and the Heavily Indebted Poor Countries Initiative, which cancelled almost $130 billion of debts owed to governments and multilateral institutions for 36 low and lower middle income countries.

(Some Sub-Saharan countries are still growing strongly, helped by declining energy prices. https://www.theguardian.com/business/2016/oct/09/the-world-bank-and-the-imf-wont-admit-their-policies-are-the-problem)

Most striking is the change in debt composition and debt instruments being used. Public debt in developing countries is increasingly being borrowed from private lenders. And private lenders have changed too: bonds have replaced loans as a predominant form of private lending.

The rich countries have contributed by switching aid from grants to loans and by encouraging Private Public Partnerships (PPPs) which load future debt service onto governments. (See separate section below and also the previous edition.)

Land Grabs

An additional problem associated with PPPs is 'land grabs' – land deals that happen without the free, prior, and informed consent of communities that often result in farmers being forced from their homes and families left hungry.

Approximately 60 percent of the food grown on acquired lands is intended for export instead of feeding local communities, according to Oxfam America. Nearly two-thirds of land grabs occur in countries with serious food security problems.
http://www.huffingtonpost.com/danielle-nierenberg/the-land-battle-15-organi_b_7898432.html

Land transfers are a core component of the mega-PPP agenda. The total amount of land pegged for investment within just five countries hosting growth corridor initiatives (Tanzania, Mozambique, Malawi, Ghana and Burkina Faso) stands at over 750,000 km² – the size of a country such as France.
https://www.oxfamamerica.org/take-action/campaign/food-farming-and-hunger/land-grabs/
http://www.farmlandgrab.org/post/view/23947#sthash.x4HP6Elw.dpuf

(Recently representatives of various CSOs gathered in Tokyo to discuss how to stop the Japanese government funding land grabs by Japanese companies.)

There are two lessons from this: ① that we (the Jubilee 2000 campaign) didn't fix the system which leads to rapid debt growth, and ② that many of the countries affected now are different from those which were 'fixed' before. (Previous debt relief went to only the poorest and most indebted countries.)

The Organisation for Economic Co-operation and Development (OECD) estimates that an additional $70 trillion in infrastructure (dams, motorways, gas pipelines, etc.) will be needed by 2030. The trillions planned to be spent in the coming decades for these projects are likely to pose a dilemma to many governments: will they accept further indebtment or be accused of failing to meet the needs of their population by not financing infrastructure projects? Are there ways for governments to finance mega-projects without falling into debt traps?

The evolving nature of debt implies that the new debt crises will be different from the last. The old debt regime has never been fully able put loans to work for development, to prevent debt crises, or to resolve them in a fair, speedy and sustainable manner. The bad news is: the situation is getting worse.

To resolve debt crises in a fair, speedy and sustainable manner, several attempts have been made at both the IMF and the UN to create an insolvency regime, or debt workout mechanism, for sovereign debtors. What mainly remains to be done is to strengthen these initiatives, overcome political deadlocks and put these proposals into practice. In all of these cases, citizen action will have a key role to play.

One thing that has changed since the 1990s is that domestic civil society is calling the shots far more these days. CSOs in Mozambique and Ghana reportedly don't want just debt cancellation – they want to make sure the crisis leads to greater levels of transparency and accountability, rather than simply letting off a 'bunch of crooks'.

http://oxfam.jp/news/cat/press/201799.html
http://www.cadtm.org/Are-we-heading-for-another-debt
http://www.cadtm.org/Global-South-debt-payments
http://www.counter-balance.org/wp-content/uploads/2016/02/LAYOUT_Factsheet-InfrastructureDebt_FINAL.pdf
http://www.eurodad.org/developing-country-debt-solutions
http://jubileedebt.org.uk/wp-content/uploads/2016/11/The-new-developing-world-debt-crisis_Final-version_11.16.pdf

UNCTAD

Every four years, the United Nations Conference on Trade and Development (UNCTAD) holds a global summit to renegotiate its mandate. UNCTAD is one of the few global institutions that work on the structural economic reforms that the Jubilee campaign works on.

A Jubilee USA delegation attended the 2016 UNCTAD summit in Nairobi. Jubilee USA played a pivotal role in bringing governments to the table to renew UNCTAD's mandate on debt, tax and trade issues and ensuring that UNCTAD will continue to play an important role in addressing global economic policies that impact millions.

Before the summit began, Jubilee USA and its international partners held possibly their most important strategy meeting in years. The partners include organizations from Kenya, Nepal, Zambia, Zimbabwe, Belgium, Germany, Uganda, the United Kingdom, the Democratic Republic of the Congo, Ivory Coast, Ireland, Cameroon, Morocco, Spain, France, Slovenia and Mozambique, and regional organizations representing Africa, West Africa, Latin America, Asia, the Middle East and Europe.
2016 Jubilee USA Report

The Panama Papers

In 2015 11 million documents were leaked from a Panama law firm specializing in tax shelters.

The damage so far includes the resignation in disgrace of Iceland’s prime minister and blackened reputations for such implicated world leaders as – to name just a few – Russia’s Vladimir Putin, Britain’s David Cameron and China’s Xi Jinping.

You may be surprised to learn that the United States is the world's biggest tax haven, not Bermuda or the Cayman Islands. The US has pursued a strategy of destroying tax havens in such countries as Switzerland, establishing a system to absorb global money into the US and helping US-headquartered multinationals avoid taxes.

The address 1209 North Orange Street, Wilmington, Delaware, is where more than 280,000 corporations from the world over have registered their headquarters. Wilmington is a city with a population of only 70,000. All of the companies registered at the address are shell companies. They take advantage of preferential tax treatment and strict confidentiality rules provided by the state of Delaware. Among these companies are former US Secretary of State Hillary Clinton's ZFS Holdings and former US President Bill Clinton's WJC, LLC.

US corporate giants such as Apple, Walmart and General Electric have stashed $1.4tn in tax havens, despite receiving trillions of dollars in taxpayer support, according to a report by Oxfam. The sum, larger than the economic output of Russia, South Korea and Spain, is held in an “opaque and secretive network” of 1,608 subsidiaries based offshore, said Oxfam.

It pointed out that the companies had also enjoyed a combined $11.2tn in federal loans, bailouts and loan guarantees.

(Jubilee USA is supporting bi-partisan legislation to give law enforcement the tools it needs to identify who owns these companies. They’re running grassroots campaigns in five states to build support for the legislation.)

About 400 individuals and corporations based in Japan have been found to be linked to the offshore entities named in the Panama Papers. Otsuma Women’s University economics professor Kaoru Tozaki calculates that Japanese corporations and individuals have salted away some 55 trillion yen in Panama, 65 trillion yen in the Caymans, plus an additional 80 trillion yen in various other tax havens. The total, some 200 trillion yen, is more than twice Japan’s entire annual national budget, which is 96 trillion yen.

Now if this money was in Japan being taxed like the modest incomes of much less wealthy people, it would generate, Tozaki estimates, 60 trillion yen per year. What could Japan’s government do with 60 trillion yen a year? Consider this, Josei Jishin hears from tax accountant Mayuko Suzuki: Raising the consumption tax 2%, from the current 8% to 10%, would generate 4 trillion yen a year.

Three former securities firm employees who helped Olympus hide its losses were found to have kept about ¥2.2 billion in remuneration from Olympus in the bank accounts of paper companies established in tax havens including Liechtenstein.

What is the global total of the money accumulated in tax havens? The Tax Justice Network, a British civil society organization, has come up with an astounding figure of between $21 trillion and $32 trillion. The latter figure easily reaches one-third of the world's total GDP of $76 trillion as calculated by the World Bank in 2013.

When individuals and corporations hide unreported assets abroad to escape taxes or launder money, they are effectively stealing from the public. The tax income lost by many countries could total hundreds of billions of dollars each year. This could and should be devoted to funding public services, such as health care, housing, schools, transportation infrastructure, social security, law enforcement and courts.

Nearly 800 million people suffer from hunger in the world, mainly in the so-called 'developing' countries. Now, in these countries, every year at least 250 billion Euros in tax revenues disappear to tax havens — that's 6 times the amount needed annually to fight and conquer hunger by 2025.

For the period 2008-2012, Global Financial Integrity considers that, in 31 developing countries, illicit outflows were greater than public spending in health and, in 35 developing countries, they were superior to public expenditure in education. In its report, 'Illicit Financial Flows from Developing Countries: 2004-2013' the same organisation found that the so-called developing countries and emerging economies have lost 7800 billion dollars in illicit financial flows from 2004 to 2013, with greater and greater illicit outflows.

Criminalization of the Global Finance System

April 2016

However, the real story didn't come out in the Panama Papers. Panama wasn't designed to launder money. It was designed to launder earnings – mainly by the oil and the gas industries, and the mining industry.

A writer explains: "I first found out about this about 40 years ago, when I was doing a study of the balance of payments of the oil industry. I went to Standard Oil, whose treasurer walked me through their balance sheet. I said, "I can't figure out whether Standard Oil and the other oil companies make their money at the producing end of oil, or at the distributing end of refining and selling it". And he said, "We make our earnings right here in New York, in the Treasurer's office." I asked what he meant. He explained: "We sell the oil that we buy from Saudi Arabia or the Near East at very low prices to the tanker company that's registered in Panama or Liberia." They don't have an income tax in their country, because they're not a real country. The oil companies then sell the crude oil to downstream distributors in the United States or Europe – at a very, very high markup.

"The markup is so high that there's no room for profit to be made at all in refineries or gas stations selling the oil. So the oil companies don't pay the tax collector in Europe anything. They don't pay the American government an income tax either. All their earnings are reported as being made in the tankers, which are registered in countries that don't tax income.

"So I found out that basically Panama, and hence Panamanian companies, were set up initially to register oil tankers and mineral ships in order to give the appearance of taking all of their profits on transporting the oil, or the copper or other minerals, from third world countries to the United States and Europe. The United States went along with this. This made the oil industry tax exempt since the 1920s."
https://sentaku-en.com/articles/2016/05/america-the-top-tax-haven.html
http://www.cadtm.org/Bahamas-leaks-What-else-do-we-need
http://www.japantimes.co.jp/news/2016/04/28/national/japans-offshore-investors-edge-panama-papers-revelations-spark-hong-kong-clampdown/
https://www.japantoday.com/category/kuchikomi/view/japanese-money-in-offshore-tax-havens-could-solve-a-lot-of-problems-at-home
https://www.japantoday.com/category/kuchikomi/view/japanese-money-in-offshore-tax-havens-could-solve-a-lot-of-problems-at-home
http://the-japan-news.com/news/article/0002937349
http://lite-ra.com/2016/04/post-2144_3.html
http://www.cadtm.org/Tax-evasion-crime-of-the-rich-at
http://www.theguardian.com/world/2016/apr/14/us-corporations-14-trillion-hidden-tax-havens-oxfam
http://www.cadtm.org/Panama-and-the-Criminalization-of

Public Private Partnerships

Public Private Partnerships are one mechanism being pushed to finance huge projects. Private investors have oodles of money. Public-private-partnerships are the best way to entice them to stump up the cash. They are now used in more than 134 developing countries.

The story is that the private sector is coming to the public's rescue, all for the common good. Pension fund managers! Private equity! Venture capitalists!

But the scale of financial extraction makes complete nonsense of any claim that the public interest is being served. Back-of-the-envelope calculations suggest that the private sector is taking out considerably more than the $100 billion it puts into actual projects every year – perhaps more than twice as much. And the high rate of extraction translates into roads that ordinary people cannot afford to pay to use, electricity and water tariffs that are beyond the reach of the poor, and hospitals that are too expensive to run. This has been called 'legalised looting'.

The area of infrastructure finance represents a massive threat to future debt sustainability.

PPPs have moved from physical infrastructure into the provision of 'social infrastructure', such as schools, hospitals and health services. (See the Lesotho hospital example below.)

One problem with PPPs is that if something goes wrong, states will be obliged to intervene by PPP contracts.

In 2006, the government of Lesotho launched a PPP to build a national hospital to replace the aging main public hospital. A private sector consortium has been responsible for designing, building and operating the hospital and a network of refurbished urban clinics for 18 years. The government provides the private sector operator with an annual fixed service payment for the delivery of all services and then the healthcare network has to meet all performance standards to qualify for payment.

This PPP is the first for a hospital in Africa and is seen as a flagship model to be replicated across Africa. Therefore it has been supported by the World Bank Group, Sweden and the Netherlands, among others. But a report launched in 2014 by Oxfam shows that the PPP hospital and its three filter clinics:

– cost US$ 67 million per year – at least three times what the old public hospital would have cost today – and consume more than half of the total government health budget; – have required a projected 64% increase in government health spending over the next three years; – are diverting urgently needed resources from primary and secondary healthcare in rural areas where mortality rates are rising and where three- quarters of the population live;

– are expected to generate a 25% rate of return on equity for the PPP shareholders – this rate is underwritten by taxpayers' money; – are costing the government so much that it believes it will be more cost effective to build a brand new district hospital to cater for excess patients rather than pay the private partner to treat them.

PPPs remain attractive to decision-makers because they allow governments to circumvent legislated budgetary limits in line with the austerity policies that are currently prevailing. Instead of building infrastructure with capital upfront, PPPs use annual instalments from revenue budgets or user fees to pay for infrastructure. In a nutshell, new financing schemes and related PPPs will generate a new wave of foreign and domestic debt and they will socialise risks and privatise benefits.

Therefore it is key for civil society, and especially the debt community, to envisage the scale of this new infrastructure financing wave and develop new campaigning strategies around it. Exposing the weak points and vulnerabilities of the mega-projects model to the public and decision-makers will be a necessary step.

For the private sector, 'infrastructure' is not so much about bricks and mortar as stable, long-term, contracted cash flow. A PPP project provides this: a stable, guaranteed income stream. Projects are devised to create multiple avenues for a flow of money that is transformed into private profit through loans, derivatives, shares, securitized income streams, and contract sales that anyone can buy and sell. A PPP project enables millions of dollars worth of ancillary trading, mainly for the purpose of hedging risks.

The choice of what infrastructure to build is thus heavily influenced by what serves the long-term profit-making interests of the private sector – and the state or public sector becomes more and more aligned with the interests of infrastructure investors and private companies.

PPPs are not about building and providing public services: they are about constructing the subsidies, fiscal incentives, capital markets, regulatory regimes and other support systems necessary to transform 'infrastructure' into an asset class that yields above average returns of 13-25%.

In sum, PPPs are less about financing development (which is at best a sideshow) than about developing finance.

http://www.counter-balance.org/wp-content/uploads/2016/02/LAYOUT_Factsheet-InfrastructureDebt_FINAL.pdf
http://jubileedebt.org.uk/blog/legalised-looting-public-private-partnerships-financial-extraction
http://www.thecornerhouse.org.uk/resource/PPPs-extraction-wealth-gap

The Role of Banks

The recent savage government cuts in Greece were entirely for the purpose of making sure that German and French banks received interest on their loans. American and European authorities decided to save the banks at all cost, even if that meant immiserating everyone else. That is what the policy of 'austerity' meant, making sure that the banks got their interest payments.

The main mechanism that turns a financial crisis into a sovereign debt crisis is the socialization of the private debt of banks and other financial institutions through bailouts. Since the financial sector sits on the credit and payment system of the whole economy, it is therefore in a position to blackmail to take everything down with it, if their losses are not borne by the public as a whole. Indeed, in most cases governments find it too risky to let these major players fail, so they end up injecting public money, financed by government bonds that add to sovereign debt. This makes repudiation of debt thus incurred and nationalization of credit and finance two key priorities in fighting against the subordination of whole populations by finance capital.

Since 2012 alone, the list of bank bailouts includes: Dexia in Belgium and in France, Bankia in Spain, Espírito Santo and Banif in Portugal, Laiki and Bank of Cyprus in Cyprus, Monte dei Paschi, Banca delle Marche, Banca Popolare dell'Etruria e del Lazio and Carife in Italy, NKBM in Slovenia, SNS Reaal in Holland and Hypo Alpe Adria in Austria.

What is needed is a realisation of just how dangerous banks have become. Financial lobbyists have taken the idea of 'free markets' and redefined it as 'freedom from public ownership or regulation'. Unleashed by financial deregulation, banks have 'sought to control democracies by shifting tax policy and bank regulation out of the hand of elected representatives to nominees from the world's financial centres'.

There have been significant scandals implicating the fifteen to twenty biggest private banks in Europe and the United States: toxic loans, fraudulent mortgage credits, manipulation of currency exchange markets, of interest rates and of energy markets, massive tax evasion, money-laundering for organised crime, and so on. The scandal of the Panama Papers shows how banks are using the tax havens.

(Today's Guardian reports that Britain's high street banks processed nearly $740m from a vast money-laundering operation run by Russian criminals with links to the Russian government and the KGB. HSBC, the Royal Bank of Scotland, Lloyds, Barclays and Coutts are among 17 banks based in the UK, or with branches here, that are facing questions over what they knew about the international scheme and why they did not turn away suspicious money transfers. Documents show that at least $20bn appears to have been moved out of Russia during a four-year period between 2010 and 2014. One senior figure involved in the inquiry said the money from Russia was "obviously either stolen or with criminal origin". https://www.theguardian.com/world/2017/mar/20/british-banks-handled-vast-sums-of-laundered-russian-money)

The authorities have merely imposed fines, usually negligible when compared to the crimes committed. These crimes have a negative impact not only on public finance but also on the living-conditions of millions of people all over the world. People in charge of regulatory bodies, such as Martin Wheatley, former director of the Financial Conduct Authority in London, have been sacked for trying to do their job properly and being too critical of the behaviour of banks.

Although obviously to blame, no bank director in the United States or Europe (with the exception of Iceland) has been convicted, while traders, who are mere underlings, are prosecuted and sentenced to between five and fourteen years behind bars.

As was the case for the Royal Bank of Scotland in 2015, banks that were nationalized at great public expense to protect the interests of major private shareholders have been sold back to the private sector for a fraction of their value. Salvaging the RBS cost £45 billion of public money, while its reprivatisation will probably mean the loss of a further £14 billion.

Because we feel, in particular in the light of Greece's experience, that banks are an essential element of any project for social change, we propose that immediate measures be taken to attain the following six goals:

- Restructure the banking sector
- Eradicate speculation
- End banking secrecy
- Regulate the banking sector
- Find an alternate means of financing public expenditures
- Strengthen public banks

Socialisation of the entirety of the banking system is an urgent economic, social, political and democratic necessity.

(Mizuho Bank, Bank of Tokyo-Mitsubishi UFJ, and the Sumitomo Mitsui Financial Group have more than $1.4 billion invested in the Dakota Access Pipeline. The indigenous Standing Rock Sioux Nation opposes the pipeline, saying that the $3.7 billion project threatens Lake Oahe, their only source of drinking water in North Dakota.)

http://cadtm.org/What-is-to-be-Done-with-the-Banks,13315
http://www.eurekastreet.com.au/article.aspx?aeid=47209
http://www.cadtm.org/We-Need-a-Plan-B-for-Europe
http://www.japantimes.co.jp/news/2017/02/17/national/japanese-protesters-demand-mega-banks-end-funding-dakota-pipeline-project/

Vulture Funds

In 2016 Argentina agreed to settle its debt dispute with predatory vulture funds, rewarding harmful financial behavior by awarding the predatory funds a profit of at least 900%. The dispute highlights as clearly as ever that we need a global bankruptcy system to settle debt disputes equitably and transparently.

Vulture funds impede development and intensify global poverty by targeting poor and financially-distressed nations. They buy up a nation's debt for pennies on the dollar and then sue for the full amount plus interest, inflation and fees – sometimes making up to a 1700% profit off the backs of the poor. These funds are known to wait until a nation receives life-saving debt relief and then sue, targeting monies intended for social investment. Instead of revenues going to the people who need them most, they go to predatory hedge funds.
2016 Jubilee USA Report

COUNTRY NEWS

AFRICA

The percentage of Africans in poverty has dropped from 56% in 1990 to 43% 2012, but the number of Africans living in extreme poverty has increased, rising from 280 million people living on less than $1.25 per day in 1990, to 330 million in 2012.

In Sub-Saharan African countries' indebtedness has increased 165 fold between 1970 and 2012, rising from $2 billion to $331 billion. Over the same period 30 Sub-Saharan countries have repaid the debt they owed in 1970 217 fold.
http://www.cadtm.org/Poverty-in-Africa-the-unvoiced
http://www.cadtm.org/Are-we-heading-for-another-debt

Chad

May 2015
The International Monetary Fund (IMF) and the World Bank have announced $1.1bn in debt relief for Chad, the world's fourth least-developed country with more than half of its population living in poverty. As of 2013, the Central African nation owed $2.2bn to foreign lenders and spent over $100m annually paying off debt. Prior to receiving debt relief, Chad owed around $800m to the World Bank and $400m to the African Development Bank. Chad also owes about $500m to other governments.
http://www.ibtimes.co.uk/chad-receives-1-1bn-debt-relief-imf-world-bank-1499236

Ghana

February 2017
In early 2015, the IMF and World Bank said Ghana was at high risk of being unable to pay its debts. Seven months later, the World Bank guaranteed $400m of repayments on a £1bn bond sold to private investors. The Bank said it was trying to help refinance expensive short-term debt and free up resources that could be used for investment, but the winners of this arrangement are the speculators getting a 10.75% return, who will make money even if Ghana can't repay the loan, due to the World Bank guarantee. The losers will be the Ghanaian people, who will be subject to austerity under the terms of a new IMF program. Ghana is planning spending cuts by 2017 of 20% per head on 2012 levels.

There is little transparency on what the loans were used for, from both the government and lenders. Almost one-third of Ghana's budget is spent on external debt servicing.
http://jubileedebt.org.uk/wp-content/uploads/2016/10/The-fall-and-rise-of-Ghanas-debt_10.16.pdf
https://www.theguardian.com/business/2016/oct/09/the-world-bank-and-the-imf-wont-admit-their-policies-are-the-problem

Mozambique

February 2017
In 2013 Mozambican government officials negotiated a secret loan agreement with Credit Suisse, BNP Paribas and VTB Capital for $2 billion. The loans were not approved by the Mozambique parliament, as required under Mozambique law, and not disclosed to the IMF, Mozambique people or financial markets. Ostensibly the loan was for a tuna-fishing project but actually was mostly for military equipment. Military equipment not being an income-

generating asset, Mozambique had no means of making the first interest payment of $60 million in January 2017. It defaulted on the loan. Restructuring the illegal loans means imposed austerity on a population already living in extreme austerity and eventually repaying the creditors from revenues derived from Mozambique's natural gas deposits that are due on the market in 2023. So it seems that an incompetent and dishonest government will rob ordinary Mozambicans of their gas treasure as it has robbed Angolans of their oil and diamond patrimony.

About one-third of Mozambique's 24.5 million inhabitants are malnourished and 500,000 children ages 6 to 23 months are undernourished. The debt crisis, on top of the sharp fall in commodity prices, has led to rampant inflation in basic goods and cuts to essential public services. The burden of the crisis is falling on the poorest people in Mozambique.

Mozambique started defaulting on its debt in January 2017.
http://www.cadtm.org/The-Mozambican-debt-crisis-How-a
http://jubileedebt.org.uk/wp-content/uploads/2016/11/The-new-developing-world-debt-crisis_Final-version_11.16.pdf
https://journal.probeinternational.org/2016/06/10/the-resource-curse-comes-to-mozambique/
http://www.cadtm.org/Mozambique-defaults-on-its-debt
http://www.cadtm.org/Global-South-debt-payments

Prosavana Land Grab

Japan and JICA are involved in the Prosavana land grab in the Nacala Corridor of Mozambique. The land grab will acquire 14 million hectares of land, displacing upwards of 500,000 people who already cultivate the area.

Many affected people are opposed to the project. Cases of stalking, intimidating, blackmailing, and oppressing the peasant leaders and citizens who pose questions and/or contest the program have been repeatedly reported. Violent confrontations have occurred and over 10,000 refugees have fled to Malawi. Moreover, since 2015, there have been cases of assassination, kidnapping, physical injury, prosecution, and blackmailing of academics (university professors), journalists, editors of independent newspapers, pro-citizens public lawyers and TV personalities who expressed concerns and critical statements towards the (then) president, government and its policies.

JICA's money has been used to intervene in, divide and isolate the peasant movements and CSOs in Mozambique. It is clear that the major responsibility for the flourishing human rights abuses and wrongdoings targeting the Mozambican society lies with the Japanese government, especially with JICA and its financial power.

http://www.farmlandgrab.org/post/view/26872
http://www.huffingtonpost.com/danielle-nierenberg/the-land-battle-15-organi_b_7898432.html

ASIA

Bangladesh

July 2016

The Bangladeshi government has postponed the closing bid for a large-scale project funded by Japan's ODA in the wake of the terrorist attack on a restaurant in Dhaka. The project includes building state-of-the-art coal-fired power plants. (Editor: not an appropriate response to global warming.)

The project is expected to cost about ¥700 billion (about $6.7 billion), and 80% of the amount is to be funded by the Japanese government's yen loans. It would be the biggest ODA project yet for Bangladesh.
http://www.japantimes.co.jp/news/2016/07/29/business/bangladesh-delays-closing-bid-huge-japan-oda-project-security-concerns/

Indonesia

The Japan Bank for International Cooperation (JBIC) concluded a loan agreement for the Cirebon 2 coal-fired power plant projects in West Java despite opposition from people living there.
http://www.foejapan.org/en/aid/170419.html

Pakistan

August 2016

Pakistan's total debts and liabilities swelled to $73 billion – a net addition of $7.83 billion in a single year. Pakistan has been borrowing heavily to meet budget needs, as it remains unable to broaden its extremely narrow tax base. The government, however, instead of improving its affairs got the IMF to change the definition of public debt.
http://tribune.com.pk/story/1173193/pakistans-debt-pile-soars-rs22-5tr/
http://tribune.com.pk/story/1203863/external-debt-three-years-pakistan-taken-25b-fresh-loans/
http://www.tradingeconomics.com/pakistan/external-debt
http://labs.tribune.com.pk/foreign-debt/ - slide-15

The Philippines

September 2016

Freedom from Debt Coalition (FDC) demanded a debt audit and the repeal of automatic debt servicing. Presidential Decree 1177, commonly called the Automatic Appropriations Law, was a legacy of the late dictator Ferdinand Marcos. It mandated the automatic appropriations of funds for interest and principal payments of the debts of the national government. By virtue of AAL, debt payments do not need approval from the Congress and are thus, not scrutinized during budget deliberations.

Debt payments are prioritized and are given the first cut of the national budget before appropriations are made for social and economic services. “We don’t even know what public funds are being used to pay for. How did we end up with these huge debts? How were these loans utilized? Did we even benefit from them or did they just fatten the crooks in government and their private contractors?”

Recently, FDC revealed that P6.13 billion of the government’s foreign debt service for 2017 will go to 13 fraudulent, wasteful or useless loans for construction of farm-to-market roads, flood control, irrigation, power sector reforms, and elementary education, among others. Many of the loans came from the Asian Development Bank, Japan International Cooperation Agency and the World Bank.
http://www.fdc.ph/press-statements/debt-public-finance/708-fdc-calls-on-pdu30-to-prioritize-debt-audit-repeal-of-40-year-old-auto-debt-payments

Sri Lanka

Sri Lanka's debt situation is severe. The country is currently in $58.3 billion deep to foreign financiers, and 95.4% **(!)** of all government revenue is currently going towards paying back its loans.

Sri Lanka took out huge loans to build large-scale infrastructure – most of which hasn't yet produced adequate returns, was struggling to make payments, and was looking for another way out.

China was offered varying degrees of control over some of Sri Lanka's biggest infrastructure projects, including Mattala International Airport and portions of the Hambantota deep sea port, and Sri Lanka would receive some debt relief.

http://www.forbes.com/sites/wadeshepard/2016/07/31/china-to-sri-lanka-we-want-our-money-not-your-empty-airport/ - 2fb95e1b1169
http://digital.asahi.com/articles/ASK105JDTK10UHBI021.html?_requesturl=articles%2FASK105JDTK10UHBI021.html&rm=691

LATIN AMERICA

Caribbean Countries

Caribbean small islands are heavily indebted and impoverished, with high rates of unemployment, yet are often too ‘rich’ to qualify for debt relief. In 2016, Jubilee USA and its Caribbean partners ran campaigns on nine heavily-indebted islands – including Antigua and Barbuda, St. Vincent and the Grenadines, St. Lucia, Dominica and Barbados – to reduce debt, promote budget transparency and stop austerity. Jubilee won over $100 million in debt relief in Grenada. Working with their religious partners in Grenada, Jubilee won:
- legislation to ensure budget responsibility and accountability in Grenada's government
- 50% debt reduction from private creditors
- 50% debt reduction from hold-out creditors

Cuba

January 2016

In December 2015, Cuba reached an agreement with the Paris Club to restructure its debt, following the default of the Caribbean island in 1986. According to the group of creditors, Cuba's debt totaled 11 billion dollars in 2015. The terms of the agreement provide that the Paris Club must write off the interest accumulated, totaling 8,500 billion dollars. Cuba, for its part agreed, to pay 2.6 billion (corresponding to the original principal) over the next 18 years.
http://www.cadtm.org/Cuba-What-lies-beneath-the

Ecuador

March 2017

In 2000 the territory that includes the Shuar indigenous village of El Tink, an Amazonian community, was packaged up for mining concessions. The Chinese company, Exsa, part of Ecuacorriente, which is jointly funded by Tongling and China Railway Construction Company (CRCC), wants to mine copper there. The Shuar are resisting the mine; the government is trying to expel them, and people have been killed.

The Shuar – like most indigenous groups in Ecuador – initially supported President Correa when he was elected in 2006, in the hope that he would formalise their claims to their land. But they said he has since betrayed their interests in order to secure foreign – especially Chinese – loans and investment. "Correa has always been working in the interests of capital. In his campaign he promised to work for the people, but once he got power he worked for the companies." https://www.theguardian.com/world/2017/mar/19/ecuador-indigenous-shuar-el-tink-mining-land-dispute

Puerto Rico

Puerto Rico's $72 billion debt crisis is a humanitarian crisis. Puerto Rico is cutting funding for education (200 schools have been closed), health care and law enforcement to pay its debt. One doctor leaves Puerto Rico every day and nine Puerto Ricans leave the island in search of work every hour.

In June 2016, Jubilee USA forged bi-partisan consensus in Washington and defeated millions of dollars in special interest lobbying to pass legislation that allows Puerto Rico to restructure its debt, promotes budget transparency and addresses child poverty. The bill is a 'super' bankruptcy legislation with the ability to restructure all of Puerto Rico's debt. It includes powerful new precedents to stop vulture fund behavior and prevent austerity.

The consensus was the result of a sustained, widespread campaign during which Jubilee USA and Puerto Rico's religious leaders worked behind the scenes to bring Puerto Rico's Governor and the island's creditors together to negotiate a solution to the crisis, and the Jubilee executive director testified before Congress.

2016 Jubilee USA Report

Greece

The principle of public debt is that it is never really paid back. In contrast to households, states are continuous, so they can spread out their debt, borrowing endlessly to pay it back. France, for example, paid around 40 million euros in interest last year and has around 100 million in maturing debt. But France borrowed these amounts, and a little more, in order to finance its primary deficit (excluding interest).

This is not the situation in Greece. When Alexis Tsipras's party, Syriza, came to power in January 2015, European institutions were trying to make the anti-austerity troublemakers fold. To do so, they demanded that Greece pay a portion of its debt back before it could borrow more. This changed everything. With no other choice, Greece accepted dramatic salary and public spending cuts. This unparalleled austerity program caused the economy to collapse.

The IMF's remedy for Greece (and also Portugal) has been straight out of the structural adjustment textbook: reduce public spending, cut salaries and benefits, insist that state-owned enterprises return to the private sector, reduce minimum wages and restrict collective bargaining.

Creditors (banks, the state and various private actors) are evicting people from their homes before selling them, resulting in a dire housing crisis.

A UN expert on Greece said, "The excessive austerity in the public health care sector literally killed the nurse and doctor before turning to the patient."

Now we have found that the IMF's top staff misled their own board, made a series of calamitous misjudgments in Greece, ignored warning signs of impending crisis, and collectively failed to grasp an elemental concept of currency theory. This is the lacerating verdict of the IMF's top watchdog.

It has also come to light that EU insiders used the IMF to rescue their own rich currency union and banking system. The injustice is that the cost of the bail-outs was switched to ordinary Greek citizens and it was never acknowledged that the motive of EU-IMF policy was to protect monetary union. Indeed, the Greeks were repeatedly blamed for failures that stemmed from the policy itself.

Greece is very sick. But Italy, Portugal, and Spain are not faring well either, and France isn't much better.
https://international.la-croix.com/news/how-can-greek-debt-be-restructured/4642?utm_source=Newsletter&utm_medium=e-mail&utm_content=08-02-2017&utm_campaign=newsletter__crx_lci&PMID=ca4ce0563e46285947a35389589f090c
https://www.theguardian.com/business/2016/oct/09/the-world-bank-and-the-imf-wont-

admit-their-policies-are-the-problem
http://www.cadtm.org/The-Greek-government-and-banks-try
http://www.cadtm.org/UN-expert-on-Greece-The-excessive
http://www.theage.com.au/business/world-business/imf-admits-disastrous-love-affair-with-the-euro-led-to-immolation-of-greece-20160729-gqgguz.html

Positive News from Jubilee USA

In 2016, Jubilee USA built on one of their most significant accomplishments: moving the IMF to grant Ebola-impacted countries $100 million in debt relief as part of creating a new debt relief trust fund (the Catastrophe Containment and Relief Trust [CCR]) for 38 of the world's poorest countries in times of crisis. That relief, combined with victories in Chad and Grenada, means they won $1.3 billion in debt relief for vulnerable communities in 2015.

Over the past year, Jubilee USA appeared in tens of thousands of prominent news sources, including the New York Times, NBC News, CBS News, Time Magazine, Wall Street Journal, Financial Times, National Public Radio's Marketplace, MSNBC, Associated Press, CNBC, Agence France-Press (AFP), International Business Times, Voice of America, National Catholic Reporter, Reuters, CBS News, the Washington Post and the Guardian.

Over the last five years, Jubilee USA increased their supporter base from 11,000 to more than 85,000 and grew their network to 75 national member organizations, 600 faith communities and 50 global partners. In the past year, they won the support of 316 new donors and five new foundations.
2016 Jubilee USA Report

CATHOLIC NEWS

Tax Evasion

As mentioned above, Jubilee USA supports bi-partisan legislation to give law enforcement the tools it needs to identify the owners of companies used for tax evasion. They're running grassroots campaigns in five states to build support for the legislation. Jubilee USA is organizing faith leaders in Delaware, Oregon, Arizona, South Carolina and New York to sign letters supporting the bill: in New York, they've already secured more than 70 signatures. In Delaware, they secured 10 signatures from eight different faith traditions in just 24 hours. The New York leaders include Catholic, Presbyterian, United Church of Christ and Dutch Reform Christian traditions, and Orthodox, Conservative, Reform and Reconstructionist Jewish traditions.
2016 Jubilee USA Report

UNCTAD Summit

Ahead of and during the UNCTAD summit mentioned above, Jubilee USA worked closely

with Vatican partners like Cardinal Peter Turkson, President of the Pontifical Council for Justice and Peace and Archbishop Ivan Jurkovič, Apostolic Nuncio and Vatican Ambassador to the United Nations in Geneva. Turkson called on UNCTAD's member countries to address debt and trade policies that drive global poverty. Jurkovič reminded the conference of Pope Francis' call for debt relief and policies to promote debt sustainability. The Archbishop focused powerful comments on 'vulture funds' and stopping predatory behavior.
2016 Jubilee USA Report

Puerto Rico Debt Crisis

Archbishop Robert Gonzalez Nieves of San Juan, Puerto Rico, the Rev. Heriberto Martinez Rivera, general secretary of the Puerto Rico Bible Society, met with Rep. Nancy Pelosi, D-California, House minority leader; Sen. Elizabeth Warren, D-Massachusetts; the chief of staff for Sen. Orrin Hatch, R-Utah; and White House Chief of Staff Denis McDonough to call for debt relief.
http://www.americamagazine.org/issue/archbishop-urges-ease-puerto-rico-debt-crisis

Greece

Archbishop Sevastianos Rossolatos of Athens warned that the "whole nation" faces being wiped out by the austerity demands. He said, "The State is sucking our blood."

Debt Statistics

See the website for the latest statistics: http://www.columban.jp/en/3_loan/