An Introduction to the JUBILEE 2000 Campaign for International Debt Remission

As the year 2000 approaches, hopes, plans, fears and visions build around it. Clearly it is a significant temporal horizon; a deadline. During the last two decades of the twentieth century a financial problem with wide implications has loomed; despite several and continuing efforts to solve it, little likelihood exists that it will be solved by the end of the century. It is the problem of Third World Debt which reduces a sizeable number of countries to abject poverty, much of their population close to starvation and in a state of hopelessness, and has precipitated the paradoxical outcome that a high proportion of the small resources of these countries is being steadily drained away to the wealthiest, most prosperous, best endowed parts of the world.

The history of debt alleviation hitherto is marked by long delays, destructive for the debtor countries. For example, the so-called Trinidad Terms, currently one of the more optimistic elements pointing to a solution, which involve the remission of parts of the bilateral, government-to-government debts of a number of the poorest countries, were being discussed in the British Treasury and Foreign Office, whence they originated, as early as 1983; it was not until the G-7 meeting in Naples in July 1994 that they appeared for the first time to have support from all G-7 members. Yet even now legal and political obstacles, particularly in the US, obstruct the full application of the Trinidad Terms and their endorsement by the Paris Club (which coordinates governmental debt transactions) is partial only. When the British Chancellor, Kenneth Clarke, at the Commonwealth Finance Ministers’ Meeting in Valetta in September 1994 put forward a proposal for dealing with multilateral debt, there were some in Finance Ministries and International Financial Institutions (IFIs) who claimed with optimism (possibly institutional), that the battle for relief was over; there was no further need, they said, to pore over solutions. The proposal is that some of the IMF’s gold reserves should be sold and the proceeds invested, providing non-inflationary income to subsidize easier repayment terms, currently taking priority over all other forms of debt and invariable, for
the poorest countries for their multilateral debt. Alternatively a fresh issue of SDRs linked to debt relief could be used to restore the necessary liquidity if drawings are made on the IMF’s large available reserves outside the General Resource Account in which individual deposits remain the “property” of specific contributing countries. The rich creditor nations will not be unduly trammeled by such action and will benefit on this one occasion from a reputation for generosity towards the most needy. But the Trinidad Terms, not wholly adopted after more than a decade, are simple compared with the terms required for multilateral debt on the Clarke formula or any other. On that analogy we shall be well into the first century of the third millennium before practical results begin to flow regarding multilateral debt. A deadline is needed to concentrate minds and political wills.

Jubilee 2000 focusses on the coming third millennium of the Common Era (2000 AD or CE) and links it to the pentateuchal concept of rare acts of grace, consonant with God’s mercy, on special occasions to clear unpayable debts. Such jubilees were first described (c.650 BC) in the early book, Leviticus, of the Christian Bible, but are also envisioned in the sacred writings of other religions. Their purpose was to permit some levelling of the grosser inequalities which inevitably arise between people in any society through the misfortunes of war, natural disaster or disease, as well as variations in personal endowment; this was considered necessary, partly because extreme inequality was socially dangerous and partly because of a sense of wrong in situations where patently the actual distribution of the good things of the earth left some in acute deficit while others enjoyed great surpluses.

The injunction to the patriarchal society on poverty and debt in Leviticus 25, advanced in Deuteronomy 15, further expanded in Isaiah 58:6 and 61:1,2 is confirmed for extension beyond the Jewish community in Luke 4:21 and finally given universal application in Luke 10:27-36. For Roman Catholics the “preferential option for the poor” during the Medellin Conference in 1968, itself resulting from Vatican II and subsequent papal encyclicals, moves the concept of sin beyond the individual to economic and political structures, seen as prime instruments in the violation of the inherent dignity of human life proclaimed in the gospel. Jubilee and Kairos linked, as in 2000, define a time when general principle—payment of debts—can be allied to extraordinary action—remission to remove a monstrous imbalance, without losing the principle.

Jubilee 2000 believes that this sense of something seriously wrong exists now and is widely felt in relation to the debt situation of the Third World. The fact that the large flow of resources from the poor to the wealthier parts of the world seems likely to continue indefinitely sticks in the throats of many of the people in the developed world who think about this matter; as does the sense of immovability about this debt, an obstacle to the progress of countries too oppressed by burdens from the past to have any hope that tomorrow will be better than today; especially when today was worse than yesterday. For those with a theological approach, the question arises “Why should the resources abundantly given by God for the benefit of mankind be enjoyed in such an uneven, clearly unfair way?” Jubilee 2000 seeks to harness this feeling through a coalition of NGOs in Europe and churches in the Christian world and of followers of other religions elsewhere, to build up popular demand for a world, with fairer shares for all by the agreed remission of the unpayable parts of poor countries’ debt by the year 2000 in an orderly, case-by-case progression.

The greater part of the long-term debt in excessive proportion to GNP is owed by African governments and is not diminish- ing despite rescheduling and other relief measures such as Naples terms. For sub-Saharan Africa the figures for the last five years (World Debt Tables, Vol.1, p.206) in

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1990  192,202  
1991  196,277  
1992  195,360  
1993  200,388  
1994 (projection)  210,651

All African countries are not equally indebted; the range is from Botswana (not a seriously indebted low-income country, or SILIC) with a debt to XGS ratio of only 26% to Tanzania where the ratio is 1219%. Beyond this, for war or disaster-affected countries like Sudan, Namibia and Mozambique, the equivalent ratios are 3263% (1992), 2599% (1990) and 1416%. The average wealth per capita ratio comparing First World and Third World in 1960 was 30:1; in 1989 it had risen to 60:1. Consequent on reductions in services enforced to meet repayment deadlines in 1990 the average per capita expenditure of African governments on health care was USS2 of which $0.07 only went on HIV prevention although this region has the greatest and most rapidly increasing incidence of HIV. The poor in SILICs most affected by debt are literally having life squeezed out of them with no prospect of emerging from that situation while they live or passing anything better to their children.

Clearly the World Bank, the IMF, Regional Development Banks and governments all have a major role; and, to a lesser extent, commercial banks. We are encouraged by the knowledge that some staff in all these organizations, conscious of the acute suffering, poverty and threat to life itself resulting from the debt, are keen to find practical new ways towards a comprehensive solution. Such IFI sympathizers will have to persuade their less compassionate colleagues that some of the debt owed to their institutions will have to be remitted (with the consent, of course, of their funding governments) within the terms of Art. 111, Sect.7 of the Charter. The situation of Third World debtor countries would obviously be improved if their IFI debts, currently on non-concessional terms, were refinanced on softer terms using the International Development Association (IDA) concessional window, the World Bank's so-called "Fifth Dimension" and the IMF's Enhanced Structural Adjustment facility (ESAF). But the accumulated IFI debts stock must also be addressed. The Clarke formula and the ideas in the "Modest Proposal" (Overseas Development Institute. London, 1994) of the British All Party Parliamentary Group on Overseas Development provide valuable starting points.

The proponents of Jubilee 2000 say that the year 2000, a significant temporal horizon for all people, whether or not they accept the Jubilee principle, is an easily recognized deadline to spur those whose decisions determine global economic trends and concentrate their minds on reducing much further through remission the burden (and the persistent inequality) of the unpaid parts of the debt of SILICs and some seriously indebted middle income countries (SIMICS).

We recognize, of course, that such remission must be orderly and known to be unrepeatable. It must address for the future the concern of creditors for maintaining loan discipline (on which all commerce and banking depend) as well as the need of debtors for the resumption or increase of credit flows. Debtor countries will not be content if the idleness of some in debt repayment appears to be rewarded while assiduous effort by others is disregarded. Obviously remissions must be worked out to take account of all the circumstances of debtor countries on a country-by-country, case-by-case basis; but it cannot be beyond human ingenuity to frame programs consensually acceptable to debtors and creditors which, while allowing for individual, group or regional variations, provide a framework for the whole.

The existence of factors such as corruption or kleptocratic misfeasance are put forward as reasons for maintaining the status quo and doing nothing about the debt problem. SILICs have only themselves to blame for their difficulties, it is said. Jubilee 2000 seeks to convince
economic decision-takers that, within a time frame to be agreed by all creditors acting pari passu, something can and may be done where a backlog of unpayable debt has accumulated to an unmanageable extent; and that practical responses are available to the pleas of debtor countries for action beyond the existing parameters of relief, which would enable the people of those countries to begin the next millennium without the prospect of indefinite continuation of the oppressive and psychologically disastrous burden represented by that backlog. No doubt a complete answer to the problem of moral hazard is beyond reach and some hard feelings will be caused by unavoidable unevenness. But compared with the continuing hardship of unrelieved debt burdens these are much the lesser evil.

In the following paragraphs we offer some suggestions—no more—on how a broadly based case-by-case program might be developed to enable the debt of many SILICs and some SIMICs to be settled by the year 2000. They are not intended to be comprehensive, merely cock-shies for the experts in the IFIs and national Treasuries to aim at. The final outcome of their labors, we recognize, may be rather different from these suggestions. Equally, we recognize that some of our terms (e.g. "inert debt") may need refinement. Does it, for example, include payments for structural adjustment and how is it affected by the fungibility of funds?

We define the unpayable debt of SILICs and SIMICs as debts they have incurred which either physically cannot be paid or whose repayment would cost such human suffering that no honorable creditor would seek to exact it. "Debt" here means inert debt, i.e. debt which is not directly productive of income which contributes to its own extinction; not debt which, for example, may have been incurred successfully to build new factories the products of which would increase GNP.

The backlog of inert debt, of which Jubilee 2000 seeks the remission, would need to be determined by consensus of creditors and debtors but could be, say, any inert debt, stock or interest more than seven years old in the year 2000.

The quantum of debt to be covered by Jubilee remission of SILICs or SIMICs suffering continued arrears of debt service—the best objective indicator of inability to repay—might best be related either to individual countries' GNP or to their export of goods and services and scaled according to their relative poverty, i.e. their average GNP or export of goods and services per head. A possible paradigm would be that generally countries with GNP below $500 per head or exports below $125 per head should obtain 100% remission; thereafter the scale of remission should decrease in a tapered progression so that from, say, $1000 to $2500 per head everything would be remitted above 2 months GNP or 8 months exports of goods and services, whichever is the least; above $2500 per head, remission should, comparatively sharply, taper to nothing.

The offer of debt remission on such lines would clearly be enormously attractive to indebted countries which could be expected to undertake reasonable obligations in return for remission. The obligations would need to be framed in relation to the circumstances, recent history and economic record of each debtor, and be sufficient to satisfy the concerns of three different kinds of creditor: IFIs (World Bank, IMF, Regional Development Banks, etc.), national governments and commercial banks, although the last are no longer of great significance in the total picture. The principal gain for the creditors would be the return to viability of the indebted economies, permitting resumption of investment flows for self-sustaining development, increased trade and broadly credible assurances of future discipline in borrowing to avoid the recurrence of the debt problem. They would be able to insist that the terms of future loans be heavily armed against malversation or clandestine capital flight and clearly tied to specific, income-earning developmental purposes.

In no way do we suggest that remission should be a recurring event. It is important, therefore, that each country's
remission package should be worked out on lines which are manifestly fair to both creditors and debtor, as well as to creditors inter se and debtors inter se; and sufficiently comprehensive to remove detritus of old debt and set the debtors on a course of self-sustaining development. Thus a debtor country’s efforts to repay debt, its broad economic policies past and present, its record of probity and of concern for the well-being of different levels of its own populatation would be taken into account; to say nothing of its regard for citizens’ political and human rights. To be taken into account on the creditors’ side would clearly be the remissions they have already allowed, conversion of loans into grants, encouragement of debt for development swaps especially for science in industry or agriculture projects on lines pioneered by the Debt For Development Coalition and other types of swap (environmental, charitable, etc.). Political factors place some economies in a special category as in the cases of Pakistan, Egypt and Poland. Very large economies like China and India would also be hors concours. (The recent rescue of Mexico shows what can be done if the political will is there; and how swiftly.)

A particular problem arises in the cases of a few debtor countries such as Zaire where a violent, oppressive dictator has by corrupt and forcible means drawn enormous personal wealth from the national economy at the expense of the people of the country. In such cases remission of the country’s debt would merely consolidate the dictator’s gains and bring no benefit to the population at most levels. A remission package in the worst of such cases might not be available in any form. This in itself would be a heavy penalty, while the realization by the population that their neighbors were benefitting from important improvements in their economies would inevitably increase unrest and possibly a resolve for political change. When the kleptocracy has been less extreme, a formula involving a proportion of the ruler’s, or the ruling group’s, estimated defalcations, to be deducted from the total amount of the remission might bring similar results and provide salutary lessons for the future. Such remission would need to be linked to future public accountability of alternative leaderships. Similar considerations could apply in South America relating to some forms of capital flight where loans for major developments have been misapplied for the benefit of a privileged minority, with the result that planned development work for the benefit of the populations as a whole did not occur or was seriously impeded. Most Latin American and some Caribbean countries have, however, already benefitted from the application of Baker, Brady or similar plans, and from the operation of the secondary market in debt stock. Their needs are thus not so great as those of the larger groups of countries in Africa and parts of Asia where the debt problem remains in urgent need of the attention of the international financial community.

Jubilee 2000 has a two-pronged program of action. It is clear that decision-makers will be helped towards remission if strong popular demand for change has become manifest in developed countries. So, first, we aim to consolidate and then extend grass roots interest in, and a demand for practical solutions of the debt problem. Secondly, we need to change the political and intellectual climate, again particularly in the developed countries, but also worldwide in favor of remission. Churches and NGOs are the main channels for mobilizing popular support. The Pope has already declared an intention to celebrate the Jubilee by a pilgrimage with Cardinals, and the Catholic hierarchy in the United Kingdom, led by Cardinal Basil Hume, hopes to persuade him that this could best be linked with rejoicing over remission of third-world debt on which the Vatican Commission, ‘Pax et Justitia’, has worked long and hard. The Bishops of the Anglican Communion in the UK also support the Jubilee, having endorsed a paper about its philosophical and theological implications; they acknowledge the decision of the United
Society for the Propagation of the Gospel (USPG), which covers the world-wide communion as a missionary agency, to adopt advocacy of Jubilee 2000 as a major task. The Kairos Europa consultation in Brussels in June 1994 took cognisance of the Jubilee, and a Methodist consultation in November on debt, which had an ecumenical spread, ended with strong support for remission.

The UK Debt Crisis Network, which now has a full-time lobbyist as well as a research worker, is the principal nexus in Britain of support for debt remission, embracing an increasing number, now over 40, of involved NGOs. The most active members include Christian Aid, the Catholic Fund for Overseas Development (Cafod), the Methodist Church Division of Social Responsibility, USPG, the Church Missionary Society (CMS), Oxfam, the World Development Movement, the Save the Children Fund (SCF), the International Labor Organization (ILO), the European Network on Debt and Development (EURODAD), the United Nations Children’s Organization (Unicef), and the New Economics Foundation in London.

At the international level Japanese resistance to the first installment of debt remission represented by the Trinidad Terms was, as indicated above, finally neutralized at the G-7 meeting in Naples in July 1994. Many Third World heads of state and government in the Commonwealth have already signalled support for Jubilee 2000, and their Secretariat, in London is sufficiently well disposed to be preparing a paper for wide popular consumption. Participants in the Commonwealth Finance Ministers meeting in Valetta in September 1994 discussed the campaign. It was at that meeting that the British Chancellor proposed the formula already mentioned for tackling the overhang of multilateral debt owed by SILICs and some SIMICs to IFIs. In Brussels, the Vice-President of the Commission of the European Union, Sir Leon Brittan, responded with alacrity to the campaign’s literature, brought it to the notice of his ministerial colleagues in Los Angeles in early September when the G-4 met and has his staff currently working on the modalities for applying the campaign’s concepts. Channels are available for taking these ideas to the White House and to ex-President Jimmy Carter, as well as to other interested world leaders such as Gro Harlem Brundtland of Norway.

Wide remission of Third World debt along the lines proposed by Jubilee 2000 will require a series of acts of international altruism by decision-takers on the world financial stage. Our main intellectual thrust centers on Adam Smith’s seminal presupposition that self-interest is the overriding though not the sole motive worth considering in economic theory, apparently ruling out altruism as a significant factor. This is not to dispute the importance of self-interest as a motive for economic activity. But, recognizing that, we also see an urgent need for courage to take a radical initiative such as Jubilee 2000, on behalf of justice in international economic relations, with empathy for the increasing number of direly impoverished people in SILICs. This kind of altruism will, we believe, bring wide benefits by reducing turbulence in the world market and increasing employment, through greater trading opportunities, to the richer as well as the poorer parts of the human family.²

We are in touch with some members of the Ad Hoc Advisory Group of Experts on Debt of the Non-Aligned Movement and agree with the main propositions of their report, “The Continuing Debt Crisis of the Developing Countries.”

The appalling current picture of world poverty could be transformed by a combination of strong popular demand, particularly in OECD countries, for the remission of the whole detritus of third-world debt, and fundamental questioning of some of the economic bases of the status quo. Other issues such as population growth, the fixing of commodity prices, stabilization funds and the effect of exchange rate shifts are relevant to world poverty and need to be tackled. But we are convinced that a program for Third World debt remission...
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as here described would be a major contribution to global economic stability and open the way for much needed improvement in the most poverty-stricken parts of the world. Whatever one’s view of the relationships in the world economic system, and the degree of blame for the current situation to be allocated to both richer countries and poorer, the world needs desperately if not a panacea at least a practical answer to the problem of the backlog of the unpayable debt of the governments of poorer countries, which gravely and chronically impedes their self-confidence and economic development. Jubilee 2000 provides a means, radical certainly, but also, we believe, sensible and realistic, of fulfilling this need.

It is time to abandon the short-leash approach to Third World debt of repeated rescheduling for a different, more compassionate, more generous, more sweeping and less administratively burdensome approach; for a benign beginning of the Third Millennium the world needs debt remission of a magnitude which forestalls the continuing build-up of arrears of debt service on top of an overhang of debt stock and permits investment to occur at levels which enable real growth per capita of at least 3% per annum in the SILICs.

ENDNOTES

1 See also, “An Ethical Approach to the International Debt Question,” Vatican, Justitia et Pax Commission, 27 Dec 1986: “She (the Church) restates the priority to be granted to people and their needs, above and beyond the constraints of financial mechanisms often advanced as the only imperatives.” For a parallel Anglican exposition see Timothy J. Gorringe, Capital & The Kingdom: Theological Ethics and Economic Order (Orbis, 1994).

2 Ethics in economics is being re-examined in several fora, as can be seen in a number of recent publications, including Gorringe (cited above), Ronald Preston, Christian Capitalism and Chris-


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Comments on Peters

Bill Peters’ article on the Jubilee 2000 Campaign for international debt remission is fundamentally a moral document. It is not a treatise on economics. It is concern for the effects of international debt on the lives of millions of human beings that motivates the campaign. This is not to say that there are not tough economic issues regarding the best way to relieve the debt burden, but the issue of debt forgiveness is a moral one.

As a Christian and as an economist, I believe that every perspective on economic life that is human, moral and Christian must be shaped by three questions: What do economic institutions and policies do for people? What do they do to people? And how do people participate in the economy? Furthermore, in pursuing the common good, we must pay special attention to the economy’s impact on the poor and powerless because they are particularly vulnerable and needy.

In order to implement these principles, we must develop a set of moral values against which we can measure economic performance. The claim that economic analysis can provide a scientific, value-free means of evaluating the performance of economic institutions and policies, thus obviating the need for moral values,