JEWISH COMMUNITY RELATIONS COUNCIL
of San Francisco, the Peninsula, Marin, Sonoma, Alameda and Contra Costa Counties

JCRC Guidelines on International Debt Relief and the Jubilee 2000 Campaign

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Approved by the Jewish Community Relations Council of San Francisco, the Peninsula, Marin, Sonoma, Alameda and Contra Costa Counties.

Background

> "Every child in Africa is born with a financial burden which a lifetime's work cannot repay. The debt is a new form of slavery as vicious as the slave trade."
>
> —*All Africa Conference of Churches*

Many poor countries in the developing world must pay back foreign debts incurred in decades past. To do this, they must divert scarce government resources away from health care, education, and other vital services. Consequently, the citizens of these countries are denied opportunities to end their poverty-stricken situations. Many children lose the chance to go to school, women are denied access to prenatal care, victims of HIV cannot gain access to counseling and treatment, and small farmers cannot receive credit and technical assistance.

The 41 countries defined by the World Bank as Heavily Indebted Poor Countries (HIPCs)—33 of them in Africa—owe about $220 billion in foreign debts. Each African child inherits about $379 in debt at birth. A child in Nicaragua is born owing over $2,000, while average yearly income there is only $390.

African countries on average spend twice as much on repaying foreign debt as on providing health care. The United Nations Development Program in 1997 stated: "Relieved of their annual debt repayments, the severely indebted countries could use the funds for investments that in Africa alone would save the lives of about 21 million children by 2000 and provide 90 million girls and women with access to basic education."

How the Debt Was Incurred

During the Cold War, Western governments, including the US, often lent money to undemocratic or corrupt regimes for political and geo-strategic reasons, and largely ignored how the borrowers used the money. Many leaders of the borrowing countries wasted money on poorly designed or implemented projects, military spending or personal corruption.

According to the Religious Action Center of Reform Judaism, the debt crisis grew dramatically in the 1970's when banks in the United States, Europe and Japan were flooded with deposits—the so-called "petro-dollars" made by oil exporting countries after the rapid rise in oil prices. The banks desperately strove to find new clients to take these vast deposits and began lending massively to developing countries in the Third World. Concurrently, the World Bank and the International Monetary Fund (IMF) augmented their loans to the poorest countries, especially on the African continent. The loans were made quite attractive with low interest rates.

In the early 1980's interest rates rose rapidly and the world entered a recession. The prices of many raw materials—the main exports of most poor countries (such as sugar, cotton, tin and copper)—collapsed dramatically. Many countries began to run out of hard currency to pay the interest on their large foreign debts. Most tried to postpone default for as long as possible by borrowing more heavily. But the bubble burst in 1982 when Mexico announced that it could no longer service its debt. Many other countries followed.

Essentially, poor countries have gone bankrupt. But there are none of the provisions for these nations that there would be for an individual or company who goes bankrupt and is, thereby, protected from creditors. The IMF and World Bank stepped in to make more loans to ensure that the financial institutions would not collapse, but these new loans have also been eaten up in interest payments. At the same time countries were forced to accept "structural adjustment programs." These packages of measures focus on control of inflation and reduction of public expenditure while the cost of living is allowed to rise to market levels.

According to the Social Action Committee of the Reform Synagogues of Great Britain, each year these poorer countries are paying the rich lending countries three times more in debt repayments than they receive in aid.

According to the Religious Action Center of Reform Judaism:

- By the end of the decade over half of the population in Sub-Saharan Africa—some 300 million people—will be living in poverty, which the United Nations Development Program defines as those living on less than $1 a day.
- The poorest countries are caught in a cycle of debt they cannot escape, borrowing more money to make payments on old debts. In some cases, debt payments consume 30–40% of countries' budgets.
- In 1997, before the devastation of Hurricane Mitch, Nicaragua spent more than half of all government revenue on debt payments to rich countries and international lending institutions.
- Scarce resources are diverted from health care, education, food assistance, and economic development in order to pay interest on huge debts.
- Mozambique spends four times more on debt service than on health care, and one in four children die from preventable infectious disease before age five.

U.S. National Interests

Unrepayable debt, and the austerity measures that accompany new loans, can inflame social conflicts. Many of these conflicts have resulted in costly humanitarian interventions by the US and other nations.

A large debt burden motivates many poor countries to lower labor standards, as they engage in a desperate struggle to attract foreign investment and thereby earn enough "hard currency" from export revenues to repay foreign debt. That leads to lower wages and growing poverty around the world. American jobs are less secure when US companies seeking to pay lower wages relocate overseas.

Countries with major debt burdens do not tend to be good customers for US products or investment. As the Ugandan Women's Network noted, unrepayable debt "discourages foreign direct investment, affects commerce, stifles consumption and development of markets." That hurts US farmers, workers and businesses, as well as people in indebted, poor countries.

Jewish Community Concerns

At the core of Jewish tradition, as expressed through the Torah, Talmud and other teachings, is the concern for the poor, and what an ethical society is required to do to relieve their suffering.

The great Jewish rabbi and philosopher Maimonides described eight levels of *tzedakah* (charity), the "*greatest level, above which there is no other, is to… give (the needy) a present or loan, or making a partnership with him, or finding him a job in order to strengthen his hand until he need no longer beg from people. For it is said, 'You shall strengthen the stranger and the dweller in your midst and live with him,'* [Leviticus 25:35] *that is to say, strengthen him until he need no longer fall [upon the mercy of the community] or be in need."* (Rambam, Hilchot Matnot Aniyim 10:7–14)

In addition, Jubilee 2000, an international movement in over 65 countries advocating a debt-free start to the Millennium for a billion people, takes its inspiration from the Torah, specifically Leviticus 25:8–55, which reads in part: *"You shall proclaim liberty throughout the land for all its inhabitants. It shall be a jubilee for you: each of you shall return to his holding and each of you shall return to his family. That fiftieth year shall be a jubilee year for you."*

In biblical times, the laws of the sabbatical year and the jubilee were created. In the sabbatical (seventh) year there was to be a remission of debts and in the jubilee (50th) year, land, which had been sold to pay off debts, was to be returned to its original owners, and slaves were to be freed. The underpinning principle is people find themselves in debt for various reasons, often through no fault of their own, and it is the duty of an ethical society to ensure that these people are not permanent social outcasts.

Legislation in the U.S.

Last year, Congress cleared the way for the US-led Heavily Indebted Poor Country Initiative (HIPC) to begin to reduce the debt owed by 33 of the world's poorest countries by as much as $90 billion. The U.S. share of this multilateral initiative is $920 million (only 3% of the total) over four years. In FY 2000, Congress appropriated $110 million for the costs of bilateral debt reduction. For FY 2001, the Administration is requesting $435 million, $75 million for the bilateral debt reduction and $360 million for a contribution to the HIPC Trust Fund. The HIPC Trust Fund helps regional development banks and other international organizations cover their costs of debt relief after making use of internal resources. Also included is an authorization request to enable the IMF's full use of the investment income on the profits from off-market gold sales to finance enhanced HIPC debt relief.

On July 13, during debate on the foreign aid spending bill (HR 4811) the House approved by the narrow margin of 216–211 an amendment offered by Maxine Waters

(D-CA) that brought the funding for debt relief in fiscal 2001 from $69.4 million to $225 million. The additional funds are to be obtained from foreign military aid accounts.

The House also voted to transfer $42 million from foreign military aid to a World Bank program to fight AIDS primarily in Africa. The vote, which occurred during debate on the fiscal 2001 foreign aid bill, increased global AIDS funding to the administration-requested level of $244 million.

The Senate bill only provides $75 million. Neither the Senate nor the House bills provide authorization for full IMF use of its investment income from gold sales. Without immediate Congressional action to increase funding for debt relief substantially for FY 2001, the enhanced HIPC Initiative is in danger of failing, undermining U.S. credibility abroad and denying debt relief to the poorest, most heavily indebted countries.

Furthermore, in order to increase accountability under the enhanced HIPC program, countries would be required to submit a Poverty Reduction Strategy Paper (PRSP) to the World Bank and the IMF, which articulates the country's plan for achieving development goals. The PRSP outlines how the savings from debt relief will be channeled into investments that will accelerate growth and poverty reduction, and progress is monitored by the World Bank and the IMF.

These commitments can only be met, however, if the HIPC program has the financing it needs to deliver debt relief to the countries that make the commitments.

Recommendations

The Jewish Community Relations Council of San Francisco, the Peninsula, Marin, Sonoma, Alameda and Contra Costa Counties:

1. Supports legislative initiatives aimed at international debt relief which include the following provisions aimed at ensuring an effective long-term strategy for impacted countries:
    a. a multilateral approach to the crisis;
    b. an acceptable poverty reduction strategy developed by countries eligible for debt relief—in conjunction with NGO's resident in those countries—to be approved by internationally designated agencies, in an ecologically acceptable manner;
    c. a program of economic reforms, governance measures and social spending aimed at investing in education, health care, clean water and other programs designed to help lift people out of poverty, developed by

   eligible countries in consultation with these agencies, and with an appropriate system of accountability with goals, timetables, and auditing;
   d. exclusion of countries which have excessive military spending, support international terrorism or engage in gross violation of international human rights.
2. Calls upon Congress and the Administration to support fully the effort of Jubilee 2000 towards the cancellation—on a multilateral basis—of the mountainous debt owed by developing countries;
3. Urges the Jewish Council for Public Affairs to support this effort.