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THE NEW INTERNATIONAL ECONOMIC ORDER AND THE PROMOTION OF HUMAN RIGHTS: THE ROLE AND EQUAL PARTICIPATION OF WOMEN IN DEVELOPMENT

Written statement submitted by the Centre Europe-Tiers Monde (CETIM), a non-governmental organization on the Roster

The Secretary-General has received the following communication, which is distributed in accordance with Economic and Social Council resolution 1296 (XLIV).

[8 August 1994]

The problem of third-world country debt

1. The current debts of the Third World could easily be cleared off. As the UNDP forcibly pointed out in its last Human Development Report,

> "For developing countries, debt is a major constraint on economic growth and on investment in human development. In 1992 alone, they had to pay $160 billion in debt service charges - more than two and a half times the amount of ODA, and $60 billion more than total private flows to developing countries in the same year."

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2. The IMF's structural adjustment programmes (SAPs), the stated objective of which is to control debt, have met in this regard solely with failure which is as patent as it is significant. The same report states:

> "The total external debt of developing countries grew fifteenfold over the past two decades: in 1970, it was $100 billion, in 1980 around $650 billion and in 1992, more than $1,500 billion. Because of the service charges, developing countries now pay more than they receive ... Despite several attempts to find a satisfactory solution, the total debt of developing countries continues to grow."

3. What is even more serious - as a number of NGOs are continually pointing out - is that the SAPs are imposing terrible hardships, which are as counter-productive as they are inhumane, on the poor peoples of the South (and now of the East).

4. The "debt problem" is primarily political. A few years ago, the problem of Third World debt hit the headlines of the newspapers. At that time it was feared that some seriously indebted country in the South would declare itself bankrupt and that the entire international financial system would collapse like a house of cards; the incautious Western bankers were scared and, discarding their neo-liberal tenets, begged the rich States of the North and the international financial institutions for help. After all, they had to balance their books - and quickly ...

5. Those times have passed, and the principal effect of the IMF's policy in this field has been to "normalize" debt. Although the total amount of indebtedness has more than doubled since those frantic times, the creditors now breathe easily; interest rates are coming down and everything is running smoothly - well, fairly smoothly. The machinery has been "run in", and, as the UNDP report says, "the debt problem of the poorer nations is nowhere near a solution".

6. All the evidence suggests that the perpetuation of Third-World debt is the outcome of a deliberate political intent. First of all, it is clear that international financial imbalances will continue to grow for as long as the structures of the world economy remain governed by unequal terms of trade. Contrary to the statements by UNDP, the theses of Samir Amin and others have lost nothing of their fundamental validity in this area. In addition, the economic pressures which initially gave rise to Third World debt - an over-abundance of capital seeking investment opportunities, the over-hasty creation of artificial industrial outlets - are still far from having subsided.

7. But in addition, all the evidence suggests that there is a deliberate political will to maintain Third World indebtedness. The latter is a powerful political instrument for keeping Southern Hemisphere countries in a state of subjection, while often giving their ruling classes convenient excuses for the implementation of anti-social policies. The IMF has been the instrument of this strong-arm policy; it has at the same time prepared the way for the adoption of the GATT agreements (the consequences of which will certainly be catastrophic for the great majority of the poorer peoples of the world). The objective for the transnationals was to nip in the bud any feeble attempts by the nations of the South to affirm their sovereignty, to choose their own paths to development. The IMF, which began simply as a technical institution, has, thanks to the existence of the debt, found itself placed in the vanguard

of world policy. In a word, debt not only yields a juicy profit; it is also, and above all, a fantastic instrument of power.

8. The elimination of the current debts of the Third World would not give rise to any major problems, at least from the technical standpoint. In an earlier statement (to the 45th session of the Sub-Commission) the CETIM described realistic proposals advanced by various movements. The first step proposed was an examination of the legitimacy of each of the individual loans making up the debt. In other words, each one would be scrutinized from the standpoint of (in the language of economists) co-responsibility and risk-sharing. On the basis of these principles one would then:

(a) Undertake an audit of the legitimacy or the legality of each loan advanced, the identity and responsibilities of debtors and creditors and, accessorily, the origin of the sums lent;

(b) In the light of the information collected, establish an independent international commission with jurisdictional status to evaluate the distribution of responsibilities for each loan granted, the origin of the capital originally loaned and the destinations of capital which has disappeared;

and subsidiarily:

(c) Freeze the assets abroad of the rulers of countries in debt (it would be up to the persons concerned to prove that they had come by them legitimately);

(d) Investigate the tax abatements and write-offs by which the banks were enabled to cover their losses.

9. There would remain the debts recognized as legitimate. There are no pointers which would enable us to guess exactly how much they might amount to. But even if we accept the present figure of $ 1,500 billion, that amount could be easily and very rapidly repaid. To that end it would suffice to take up the proposal made as early as 1978 by Nobel economics prize-winner Tobin to check the fast-growing purely speculative financial flows, and judiciously evoked at this time by the UNDP (ibid., p. 65) - the levying of a tax on international capital transfers.

> "The daily amount of transactions on the money markets increased from $ 290 billion in 1986 to over $ 700 billion in 1990. In 1994 the amount of these uncontrolled financial flows will reach $ 1,300 billion per day." (Clairmont and Cavanagh, in Le Monde diplomatique, March 1994).

10. A tax of 0.3% [1/] would clear off practically the whole of the debt (regardless of what proportion of it is legitimate) in less than a year !

1/ Tobin proposed 0.5%; the UNDP, which attributes other functions, equally useful but in no way incompatible, for the funds collected, proposed 0.05%. Naturally, productive capital flows, transfers by migrant workers, etc. (and also debt service payments, for such time as they continued) would be exempt from the tax.