



The Debt Problem: JSAPMDD Perspectives and Platform

The Illegitimacy of Debt

The debt problem must be understood in its historical political and economic context. And, such an understanding points to the illegitimacy of the debt as a whole and the system that has spawned it.

The debt problem plaguing many South countries is the result of the exploitation and control of the resources, economies and peoples of the South throughout the history of colonization, neo-colonization and capitalist globalization. The resulting impoverishment, weak domestic economies, the net outflows of wealth and resources and “reliance” on imports - all these lay the grounds for the constant drive for external capital infusion in the form of aid, investments and loans. Northern lenders use debt as an instrument for the continued plunder of the South -- actively cultivating the need to borrow and relentlessly pushing loans to the South. Aside from the northern lenders, the local elites benefited from these loans, not the peoples of the South.

In addition to making huge profits through loans, lenders use debt and credit as leverage for imposing conditionalities on the South, with the acquiescence, if not active collaboration of local elites. These conditionalities perpetuate the relations of dominance and exploitation in the global capitalist system, the concentration of wealth and power among the elites and greater impoverishment in the South among the majority. These policies and many of the projects funded by these institutions have also led to the climate crisis and other environmental destruction and injustices.

The servicing of the huge debt put an unsupportable burden on South countries, and has a terrible impact on our people, our economies and environment. This is the most obvious aspect of the debt. In many countries in the South, payments on interests alone constitute the biggest item in public spending.

It is already a grave injustice that people of the South are being made to pay the debt in the face of urgent needs for survival, for basic services, for genuine economic development and for addressing the climate and environmental crisis. What is a more fundamental injustice is that the debt cannot be legitimately claimed to be owed by the peoples of the South and have in fact been used against them in many ways.

The Debt has actually been paid many times over by the people of the South, in financial and economic terms, in social and environmental terms, in human terms

For all these reasons, JSAPMDD regards the so-called debts of the South as illegitimate and not owed by the people of the South. The peoples and countries of the South are in fact creditors of an enormous historical, social, and ecological debt of the North. It is the North that owes the South.

Illegitimate Debts

A close examination of specific and immediate circumstances, nature and consequences of the debts claimed from the South would reveal that many of these debts are illegitimate based on the following grounds:

- The debts involve the gross violation of basic assumptions of debt contracts, as well as widely accepted ethical, social, political, economic, environmental values, standards and principles.
- The debts cause harm to the well being of the people and communities in whose name the debts were incurred and who are the ones paying for these debts.



Violation of basic assumptions of debt contracts

Many debts violate the following basic assumptions of debt contracts:

1. The contracting parties are clearly authorized and clearly have the mandate to act in behalf of the constituency in whose name they are contracting the agreement.
2. The contracting parties have the common obligation of being transparent and accountable to the constituencies in whose name they are contracting the agreement, and that the agreements must respect this obligation.
3. The agreement being contracted is for the benefit of the constituencies in whose names they are contracting the agreement.
4. The agreement, and the attendant terms and obligations, should be fair and mutually beneficial. It should not be grossly disadvantageous or harmful to one party.

Violation of widely held ethical, social, political, economic, environmental values & principles

People and societies have a collective or community sense of justice & fairness, a sense of what is right, what is for the common good. Many debts violate widely held common values and principles which include:

- Basic Human Rights
- Sovereignty and Self-Determination of Peoples and Nation-States
- The Obligation of States and public officials to act in the interest of their constituency
- Democratic Process, Democratic Governance, which includes transparency and accountability
- Sustainable use of ecological and environmental resources; Environmental Justice
- Relations based on Parity, Mutual Respect, Mutual Benefit, Fairness, Transparency, Mutual Accountability and Responsibility; Non-interference and non-aggression

Many of these values and principles are not just assumed or asserted — There are established laws, customs and codes, treaties and in fact United Nations covenants and agreements as evidences of wide acceptance, and as declaration of commitment and obligation to uphold these values and principles.

Harm to people, economies and environment

Many debts have clearly caused harm to people, economies and environment, including:

1. The massive dislocation of communities, the erosion of community control and access to natural resources
2. The loss of livelihoods, the diminishing of essential services
3. The destruction of forests and rivers and the exacerbation of climate change
4. The net outflow of wealth South economies to the North and the greater vulnerability of Southern economies

Grounds for illegitimacy are found in the following

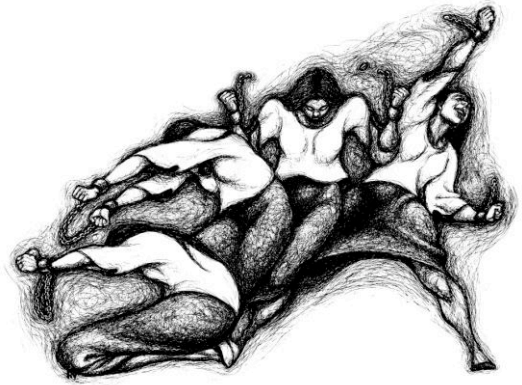
- Circumstances surrounding the contraction of the debt including the broader, historical context
- The nature of the contracting parties – if they have the legitimate authority and mandate to contract loans in behalf of their people, if they are despotic, dictatorial regimes; this is where the issue of successor state becomes relevant, and the question of who determines the legitimacy of regimes and how these are determined
- The relationship between the contracting parties and the relations of power which shapes the financial transactions and relationship
- The terms and obligations of the contracts
- The use of debts and access to credit as leverage to impose conditionalities; The impact and implications of conditionalities
- How the funds were used and the impact of policies and projects financed by debts
- The impacts and implications of huge debt servicing
- The impact and implications of “dependence” on borrowing

Cancellation and repudiation of Illegitimate Debt

Transforming the international financial and economic system

The perspective of illegitimacy of debt and illegitimate debt lays wide and more solid grounds for demanding debt cancellation and repudiation as a matter of justice. It points to what has to be transformed and the alternatives to be established in the policies, practices, processes, power relations and structures of the economic system (national and global), as well as to broader political & economic changes.

Transforming the financial system and establishing an alternative economic order should begin with preventing further damage, redressing the injustices that it has spawned, reversing the massive net outflow of financial resources from the South to the North, stopping loan-pushing by governments and financial institutions as a means for pursuing their economic, geopolitical and military interests, and ending the reliance and “dependence” of South governments on borrowing and aid.



Thus we emphasize the critical importance of the following demands on debt and the financial system, especially in the face of multiple crises.

- 1. Conduct comprehensive participatory and regular audit of all debts claimed from South countries. Immediate cancellation, repudiation and/or non-payment of all illegitimate debt.**
- 2. Undertake reparations and restitution for social, historical and ecological debt owed to the peoples of the South by governments of the North, international financial institutions and private corporations.**
- 3. For governments of the North, the IFIs and private corporations to take responsibility for their role in the multiple crises. Responses to the current climate energy, food and economic crisis must not generate debt accumulation -- reparations and grants, and not loans, should be the main actions in response to these crises.**
- 4. Halt the imposition of all policies on South countries using debt, aid and other financial flows as leverage. These include economic, natural resource, geopolitical and military policies.**
- 5. Address the domination of lenders over debt mechanisms – establish fair and transparent debt work-out mechanisms. Reinforce capacity of borrowing governments to undertake unilateral actions for the repudiation of illegitimate debt.**
- 6. Develop the capacity of South countries to mobilize domestic resources for development. Reintroduce capital controls. End illicit and other forms of capital flight. Ensure tax justice. Reverse policies, laws, treaties and agreements including those on trade and investments that inhibit or impede this process. Regulate transfer fees of remittances in order to curb profiteering in financial transactions.**
- 7. Constitute new international financial systems based on the framework and principles stated here. This is an urgent need. Institutions such as the World Bank and IMF have to take responsibility for their policies that contributed to the current crisis. Given their record of failures in financing development, their culture of secrecy and their unaccountability, their power must be broken and their senior leadership must be held accountable and brought to justice.**
- 8. Policies, practices and processes of lending and borrowing must be challenged and transformed towards Sovereign, Democratic and Responsible Financing**

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