

CETIM ADVISES YOU THE FOLLOWING READINGS

Expansion du tourisme. Gagnants et perdants

Joint publication Vol. XIII (2006) n°3

The explosion in tourism - the number of international tourists having gone from 10 million in 1950 to 1 billion in 2010 - is essentially due to the democratization of vacations amongst the middle classes of developed countries. However this internationalization of tourism also has a profoundly unequal nature. Glaring pointers to the disparities between the North and the South, the influx of tourism and the tourism industry have also tended to increase this gap. A handful of transnational tour operators share a growing part of the profits - more than 500 billion euros in the branch, 10% of the GWP while the "first world" imposes itself as the chief transceiver of these vacationers.

Notwithstanding, tourism has also become the first source of currency for a third of the "developing" countries. But what has been the social, environmental and cultural cost? Privatization of a country's heritage, devastation of the ecosystems, and consumerism of local folklore - hasn't the monoculture of mass tourism and the wide-ranging diversification of its offer simply led to a new "occidental way of the world"?

Those who have been working towards initiatives based on solidarity, bringing about more ethical and sustainable forms of tourism, would like to believe that it is possible to transform leisure activities into forms of fair exchange and tools of eco-development.

Nevertheless the persistent reality of the unequal relationship between vacationers and those who are "visited" as well as the more global relationship between the tourist industry's promoters and the local populations leads one to think that new forms of regulation are necessary.

Price: CHF 22,50 / 15 €, 236 pages, ISBN: 2-84950-105-0, edition CETRI (Belgium) and Syllepse (France), 2006, can be ordered from CETIM.

Raisons et déraisons de la dette

Joint publication Vol. IX (2002) n°s 2-3

More than ever the Third World debt is seen as one of the key factors in the inequality in the relationship between the North and South. An analysis of its origins, its causes, its mechanisms, its proposed solutions and their effects reveal, both on a moral and a legal level, its true nature: unfair, illegitimate, even hideous when the debt was contracted par authoritarian governments warring against their own people. Its maintaining transforms the debt into a real mechanism of coercion that has relegated the countries of the South to a position of subordination with the international financial authorities. This debt, although already paid back several times but still on the rise, weighs heavily on people who have received no benefit from it. The mobilization for the writing off of the debt also needs to emphasize the North's historical debt to the South - in the form of slavery, plundering, colonialism, ecology... - as well as formulating mechanisms for compensation.

Price: CHF 20.- / 13 €, 266 pages, ISBN: 2-7475-3266-6, edition CETRI (Belgium) and L'Harmattan (France), 2002, can be ordered from CETIM.

La finance contre les peuples. La bourse ou la vie

By Eric Toussaint

The author proposes, in his twenty chapters a book on: "everything you would ever want to know" about globalization, the neo-liberal offensive and the crisis of the Third World debt. Historical references, documentary tables and charts, lexicons and bibliographies complete a rigorous and educational account of the disasters brought about in the name of a hegemonious ideology. In the context of today's crisis, the explanations concerning financial globalization and the International Monetary Fund are very pertinent. Yet "Your money or your life" is not only a Black Book about what Christian de Brie has called "the setting up of a totalitarian universe". Eric Toussaint mentions the many different forms of resistance that this new order has sparked off as well as the alternatives to it. This book is a welcome instrument for analysis and an arm for civil struggle.

Price: CHF 39.- / 25 €, 638 pages, ISBN CETIM: 2-88053-032-6, coedition CADTM (Belgium) / Syllepse (France) / CETIM (Switzerland), 2004, can be ordered from CETIM.

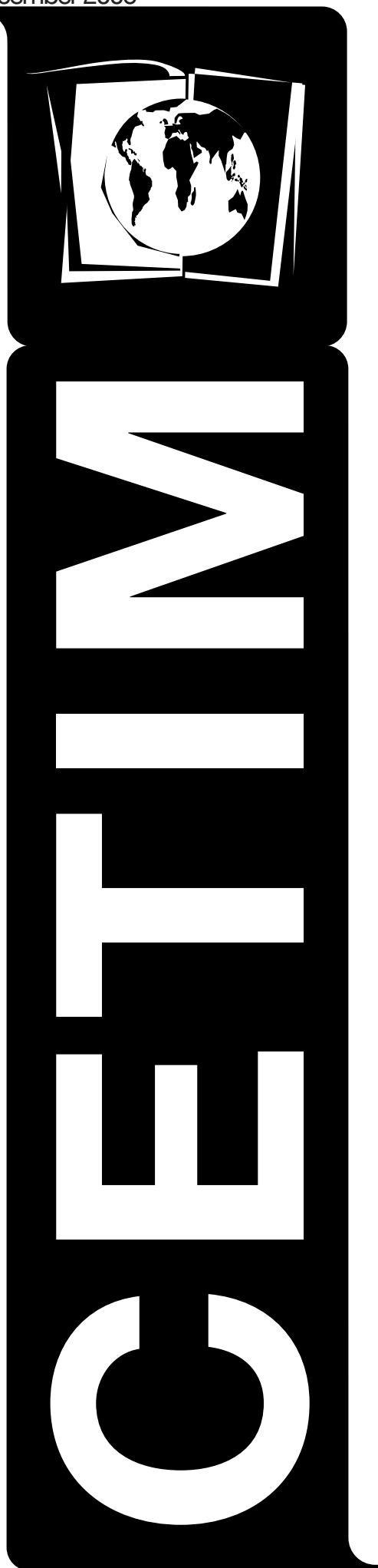
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EDITORIAL

Who has not heard about – at least once in his life – the debt of the Third World countries?

For almost two decades, numerous sensitizing campaigns, major mobilizing events in favor of debt cancellation and other actions have developed across the world regarding this question.

All this, to some extent, has borne fruit, for the Third World countries' debt has become an unavoidable theme among economists, development specialists and financiers... But the debt is – most emphatically – not a question of a "little" country that, because of its corruption or drought or some other calamity, cannot repay what it "owes" to a generous creditor.

No, the crisis of the Third World debt is the symptom, par excellence, of a world sick from bad-development.

On a world wide scale, the debt is not a private matter for it has already acquired a political dimension that concerns all peoples and all societies. The indebtedness of the countries of the South has become intolerable in that the repayment of principal and interest demanded by the creditors are beyond the means of the debtors unless they sacrifice all form of development.

It is imperative to replace it in the framework of the current system of unequal wealth distribution (roughly one person in two throughout the world lives on less than two dollars a day, and such figures indisputably underestimate the magnitude of the misery) and of a system of domination which reigns also within each individual country.

We know that pronouncing in favor of the cancellation of the debt is not motivated by human charity but, rather, by the desire of economic and social justice, of another development of the world, of a new economic order. With that in mind, a precious tool enables us to establish the truth or part of it: the audit of the debt.

The debt of the third world countries: brief and explosive history

From about \$US 70 billion in 1970, it grew to \$US 540 billion in 1980 and has today reached \$US 2,800 billion, having increased 40 times in 35 years. It is now agreed that the debt crisis is structural, whereas it had been initially presented as a crisis of liquidity or insolvency. Of course, endogenous factors, such as the decisions taken by national leaders, corruption, etc., have played an important role in the development of this crisis. But it is above all exogenous factors, such as the increase in the oil price, deterioration in the terms of trade (with the failure of the New International Economic Order and the tremendous concentration of trans-national companies) and the increase in interest rates, among other things, which are responsible for triggering it.

Evolution of the external debt of developing countries

Year	Amount	Rate of multiplication from the reference year					
	(in bn \$US)	1970	1980	1990	1995	2000	2005
1970	70						
1980	540	7,70					
1990	1340	19,14	2,48				
1995	1970	28,14	3,64	1,47			
2000	2280	32,58	4,22	1,70	1,57		
2005	2800	40,00	5,18	2,08	1,42	1,23	

Source: CETIM and CADTM

Developing countries owe about one third of their external debt to creditor States and to the International Financial Institutions (IFI's) and about two thirds to private creditors – commercial banks, insurance companies, pension funds and other institutional investors on the financial markets. But this distribution varies greatly from country to country.

In general, countries with strategic raw materials or those which have reached a certain stage of industrialisation have an external debt which is to a large extent held by private players (for example Brazil, Argentina, Chile, Malaysia, Turkey, and Slovakia). The poorer countries which are, or are deemed to be, without strategic mineral resources, have an external debt held to a very large extent by rich countries or multilateral institutions, which therefore have almost absolute control over the national governments.

The IFI's hold more than 80% of the debt of Burkina Faso, Burundi, Rwanda, Chad, Gambia, Nepal and Haiti. Finally countries such as Cameroon, Congo, Gabon, Jordan, Nicaragua, and Sri Lanka have a debt which is mainly bilateral (held by other States), which is often linked to the still strong economic presence of the former colonial power or to contracts negotiated between major companies of the North and their export credit agencies.

How did we get there?

In the 1960's and 1970's, international loans were presented to the countries of the South as a fast track to development. It was claimed that they had everything needed for getting out of underdevelopment: abundant manpower, inexhaustible natural resources, etc. They only needed capital and new technologies to make these assets bear fruit, increase their production, and multiply their exports. A few years of effort and the they would catch up.

New loans were contracted. Massive misappropriations, "white elephants" consisting of megalomaniac and unsuitable projects or prestige expenditures, arms purchases and the suppression of all forms of opposition, forced purchase of goods from the donor country, are some of the ways in which the funds borrowed were used, practically never serving the populations. When the debt crisis arose in the early 1980's, the IMF took control of the economies of these over-indebted countries in order to guarantee the resources necessary for the repayments. New loans then repaid the old ones or met the debt service and interest payments.

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You can become a CETIM member from today or order our online publications.



Issue date: January 2007

La santé pour tous!

Se réapproprier Alma Ata

This book was produced in collaboration with members of the People's Health Movement (PHM) international network. Health is today sacrificed on the altar of North/South relations and 25 years of neoliberalism have been disastrous in this respect. The goal of health for all, proclaimed at the Conference of Alma Ata in 1978 implies the mobilisation of health professionals, but also social movements, around the determining political and economic factors of health, factors that are often neglected but which are as essential as access to health care. The book presents different examples and proposes key points for the elaboration of alternative policies and propositions for numerous struggles which could at last assure health for all.

Price: CHF 15.- / 10 €

Editions CETIM - ISBN: 2-88053-052-0, can be ordered from CETIM.

Victory in the struggle for the abolition of the debt! The great strength of debt audit

On 2 October 2006, the Norwegian government announced that it was canceling the debt owed it by Ecuador, unconditionally, and that it was acknowledging its co-responsibility in the matter.

Going back a bit: at the end of the 1970s, the Norwegian government sold four boats to Ecuador, in the framework of a trade export campaign for Norwegian boats (at that time, an ailing sector of the Norwegian economy). It facilitated the purchase of these boats through a "development aid loan" for which the Norwegian Credit Export Agency (GIEK) was the lending agent. In 15 years, through seven successive agreements with the Club of Paris, this debt rose from US\$ 13,6 million to US\$ 50 million, in spite of Ecuador's paying US\$ 14 million in principal and interest to the Club of Paris.

In 2002, the Corruption and Civic Audit Commission of Ecuador launched an audit in collaboration with Norwegian Campaign for the Abolition of the Third World Debt (SLUG).

Following an in-depth investigation and the carrying out of an audit, the Commission appealed to the Ecuadorian authorities to stop repaying this debt, considering it to be illegitimate because:

- the credit had not been granted to help Ecuador but for Norway to save its own industry;
- there was no assessment of the technical and financial viability of the project on the part of the Norwegian cooperation agency and GIEK;
- the ships had disappeared and no-one knew where they were, while the debt continued being paid;
- the growth of the Ecuador's debt with Norway was due to the burdensome conditions which were imposed during the renegotiations of the debt.

This audit is a very rich document. It is available with full legal, historical, economic and technical references in English and Spanish. It is published by the Centro de Derechos Económicos y Sociales and it is entitled: "La Revuelta en el Patio Trasero Deudas Ilegítimas y Derechos Humanos. El Caso Ecuador-Noruega" or "Upheaval in the Back Yard, Illegitimate Debts and Human Rights. The case of Ecuador-Norway". See the CETIM website: www.cetim.ch.

¹ See www.odin.dep.no/ud/english/news/news/032171-070886/dok-bn.html.

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- ☐ **Collective member:** CHF 200 / 120€ or US\$.
- ☐ **Supporting collective member:** CHF 500 / 300€ or US\$ and more.
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The goal is to be able to start a political process and a methodology enabling the external debt portfolio to be dissected, separated and reconstructed into what we will provisionally call “legitimate” and “illegitimate” components. Once the distinction is made, the “illegitimate” debt (odious debt, misappropriated funds and corruption of all types) will unquestionably be subject to cancellation in good and due form and in the strict meaning of the term [see box p. 7].

The “legitimate” debt, on the unlikely assumption that it has not yet been repaid, will for its part be subject to renegotiation under positive conditions, in the framework of a binding political approach. Because in the name of what, legally and morally, could the peoples of the developing world be held liable for all this debt and be obliged to continue paying?

The following questions would then arise: what remains in reality after all these additions and substractions, if the cancellations which should take place for good reasons are taken into account? Who are, in the final analysis, the real debtors and who are the real creditors? Who owes whom?

So audits essentially involve undertaking a meticulous examination of the past. But they are also, and perhaps especially, a means of mobilising citizens enabling them to gain a hold on the present, to avoid the fatality of future debt, and to prevent its indefinite perpetuation.

Audits which seeks to establish the truth about the debt is an elementary democratic right. The right to hold leaders to account. It is a powerful means for citizens to recover some power over the running of the State. It is also a tool for empowerment through which the mechanisms which govern international relations and the global economy can be understood.

Finally it provides the opportunity for setting up monitoring instruments at all levels: citizen, parliament, judiciary, government, international, so that new fraudulent debt processes do not start again unknown to the people.



Copyright www.nicaraguasc.org.uk/archive/debt.htm

Debt audit are not a new idea, on the contrary!

Setting up debt audits is promoted by numerous movements who have been working on debt for a long time. One of the most representative movements, the international Jubilee South movement, has for long been encouraging and supporting debt audit initiatives. At its second general meeting, held in Havana on 28 September, it declared: “We will also continue to vigorously expose the involvement of South governments in perpetuating the debt problem, placing at great risk and even surrendering the resources of our peoples. We pledge to redouble our efforts to force changes in South government policies that should lead to the repudiation of debts claimed from our countries. We view the realization of debt audits as fundamental steps in that regard.”

Extract of Final Declaration of the 2nd Global Assembly of Jubilee South, La Havane, September 2005, <http://www.jubileesouth.org>

From 22 to 24 September 2006, in Caracas, Venezuela, Jubilee South/America in conjunction with the International Debt Observatory, the Miranda International Center of Venezuela and the Committee for the Abolition of the Third World Debt, organized an international symposium whose main conclusions were the following:

1. declare the illegitimacy of the debt and the need for a common front among indebted countries pour non-payment of the debt;
2. continue the support of mobilization actions for carrying out citizens’ and peoples’ audits of the debt and of multilateral credit institutions;
3. reinforce the analytical and study work of the International Debt Observatory (IDO).

For futher information: www.oid-ido.org and ww.cadtm.org

WHO ARE WE?

Through its publications and its work with the UN, the CETIM denounces the maldevelopment in general, ecological as much as economic and social, and promotes an exchange of critical views from both Southern and Northern societies. The CETIM is focuses in particular on respect for, implementation and promotion of economic, social and cultural rights, as well as issues related to the right to development.



The four strategic goals of debt audits

Debt audits allow a search for the truth and a clear designation of responsibility. The majority of individuals, businessmen, leaders, banks, institutions, governments, and industrial trusts who have been more or less involved in the process of accumulating the debt have certainly no desire to lay out the facts clearly. The citizens of the South and the North on the contrary have every interest in having everything done in the greatest degree of transparency. The quality of their relations of solidarity, which must be based on a clear understanding of the realities experienced by each, and not on a hypocritical charity mixed with bad conscience, depends on it. Further, one could spare the South the imposition of new negative conditions upon a renegotiation or a “cancellation” of debt, which, generally, only opens the door to more debt. The peoples of the North are, in their own way, subjected to a logic comparable to that of structural adjustment. The repayment to unscrupulous creditors, supposedly wronged, leads to imposing “compensations” on the taxpayers of the North, thus increasing the domestic debt of their countries.

In short, the four vital strategic objectives of debt audits are to:

- place cancellation within a discourse of transparency and justice: in the case of genocide or crimes against humanity, the history of several countries shows that it has been necessary to have the truth established by the perpetrators of the abuses in a process of national reconciliation. So the establishment of the history of the debt could strengthen the claim for debt cancellation and enable those responsible for its illegitimate part to be prosecuted;
- develop a broad movement of popular education and mobilisation and deploy all the pedagogical potential of the debt in order to prevent its infernal spiral returning;
- bring the peoples together through common strands linking their particular histories; break with all “donor/recipient”, “charity/poverty”, “developed/undeveloped” attitudes, and place ourselves resolutely on the basis of solidarity and transparency, human rights and communities of social interest;
- prevent debt cancellation operations becoming an opportunity, in the North, for hateful and racial campaigns against “the

assisted peoples of the South” and moreover, a new scrutiny by the latter on the control of their own history for the benefit of local oligarchies.

MANUAL ON HOW TO ORGANISE DEBT AUDITS

Let's launch an enquiry into the debt!

A manual on how to organise audits on Third World debts

This manual is the result of a joint initiative of CETIM and Comité pour l’annulation de la dette du Tiers Monde (CADTM), with the support of the American Association of Jurists (AAJ) and the South Centre.

It was written on the basis of two seminars that brought together Third World debt experts and activists. EURODAD, Emmaus International, Jubilee South, COTMEC, Attac Uruguay and Auditoria Cidadã da Dívida (Brazil) joined this initiative. The organisations mentioned above hope that the debt audits can begin as soon as possible in various countries so that the truth about the debt can finally be brought to light!

This little guide is intended to serve as a support tool for such efforts and as a tool of popular education indented for social movements, citizen reds, Members of Parliament, jurists, economists and other rebels.

It is now available in French, English and Spanish.

To order it, contact the CETIM directly, specifying the language(s) and the number of copies desired. For organizations in the North and those who have the means, the price is CHF 8.- or € 5.-. (Ask us about a discount for large orders.)

For organizations and social movements in the South, it is free.

Table of contents

CHAPTER 1. INTRODUCTION

Debt, a long running saga

Debt, a straitjacket

Debt, a real gold mine

Debt, an instrument of blackmail and domination

Debt, an ink bottle

Debt audits will enable things to be seen more clearly!

Audits, a tool to mobilise and a bearer of hope

Conducting collaborative and international audits, an opportunity

to strengthen North-South solidarity and alliances

Illustration: Multiple failures of the international financial system

Illustration: Some examples of scandalous debts

CHAPTER 2. FIRST STAGE: MOBILISING POLITICALLY AT ALL TIMES AND ON ALL FRONTS

I. Who can take the initiative of a debt audit?

The importance of social movements

Collaboration of political forces

Making an effort to reach out to the media

Financing

II. And what about the role of the North?

Illustration: A citizen's audit of the Ecuador-Norway debt

CHAPTER 3. TECHNICAL ELEMENTS FOR CONDUCTING A DEBT AUDIT

I. General methodology: unpack in order to reconstruct

A. General elements for analysing the process of getting into debt

1. Studying the country's political and social characteristics

2. Establish the evolution of interest rates

3. Analysing private debt

4. Identifying the authors and seeking the concluding dates of contracts

5. Discovering whether part of the debt has not been reconverted into bonds

Illustration: The privatisation of public debt: the African laboratory

6. Retracing the evolution of the internal debt and the fiscal policy adopted

7. Listing company privatisations

B. Analysis of contracts

C. Examination of the final use of funds

1. What is asked in return for the loan?

2. Is what is asked in return for the loan something of "quality"?

D. Export credit agencies

Illustration: "The cancellation" of debts by the North: is it such a disinterested gesture? A report which has some surprises

E. Analysis of current data

II. How to overcome the obstacles?

A. Technical obstacles

B. Political obstacles

Illustration: General audit of the debt in Ecuador

CHAPTER 4. LEGAL ASPECTS OF THE DEBT AUDIT

I. The right to an audit

A. Determining the legality or illegality of the external debt: a sovereign right and a duty of the public authorities

Illustration: The right to compensation, but not on any conditions...

B. Demanding and implementing an audit: a fundamental right

1. The right to take part in the public affairs of the State

2. The right to information: a human right

C. Scope of the debt audit

Case study: Paraguay's debt to private bankers: a case of odious

II. Legal elements for examining a loan contract

1. The nature of the law applicable to loan contracts

2. Placing the contract in the hierarchy of standards

3. Illegitimacy or illegality of the debt?

A. What aspects of the formation of the loan contract might be legally questioned?

1. What was the character of the contracting parties at the time the contract was concluded?

2. Can procedural irregularities be detected?

Illustration: The financial catch of debt swaps or how debts can snowball

3. Can lacks of consent be detected?

4. Is it an odious debt?

Illustration: Some useful precedents to bear in mind...

5. Can other sources of illegality and illegitimacy be detected?

B. Examining the creditor's conduct

1. The failure to examine the capacity of the future debtor meticulously

Case studies: An innovative jurisprudence: the case of Cameroon vs. the German company Klöckner

The Olmos verdict, Argentina

2. A reckless risk

C. Examining the debtor's responsibility

D. Can notions of private law inspire the examination of a loan contract?

E. Conditions and perspectives of recourse to criminal justice

1. The conditions

2. The measures

3. International cooperation

4. Recovering the misappropriated assets

Annex: Putting an end to the World Bank's impunity!

CALL for the Building of an International Network on the Debt Audit

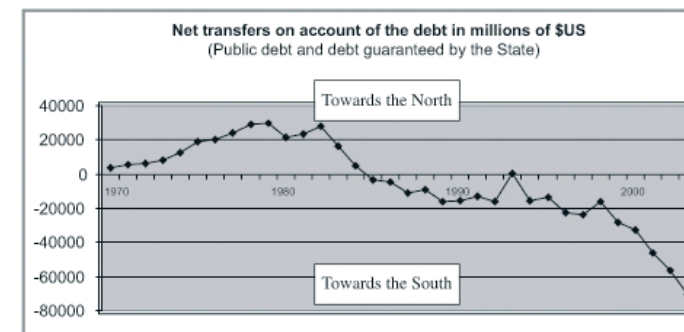
Non-exhaustive bibliography

Some reference websites

Some useful addresses

But who benefits from the "crime"?

The debt bill has continued to increase, but all is not lost for everyone.



Source: UNCTAD statistics:

<http://stats.unctad.org/Handbook/TableView/tableView.aspx?ReportId=140>

Net transfers are the disbursements less the payments of the debt service.

The long term debt disbursements are the drawings on the debt commitments carried out during the year specified. In other words, the transfers of money in respect of loans made during the year.

The payments of long term debt service are the sum of the repayment of the principal and the payment of interest made during the year specified.

Taken together, interest payments and capital repayments represent a real gold-mine. They have not stopped growing: from 1980 to 2005, the amounts paid by the South in repayments of the initial capital borrowed amounted to more than \$US 5,800 billion¹, or the equivalent of 60 times the famous Marshall Plan, set up after WWII by the United States. The sums paid in debt service exceeded \$US 450 billion in 2004, or 5.5 times the official amount of public development aid (79 billion).

All in all, since the middle of the 1990's, there has been a net reversal in the flow of resources linked to debt (interest payments, repayments, new loans, etc) from the South to the North contrary to general belief. Despite this, the debt is not decreasing. On the contrary, notwithstanding some temporary fluctuations, it is constantly increasing.

¹ \$US 4,900 billion on adding those operated by South Korea.

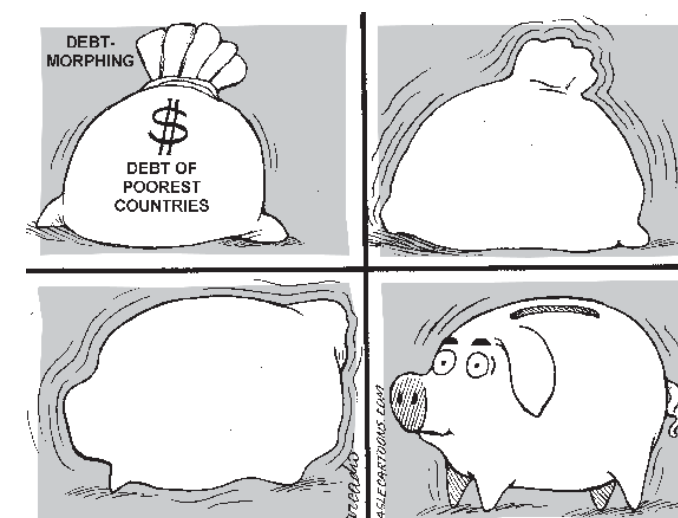
**GET YOUR FRIENDS
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Debt audits will enable things to be seen more clearly!

Through the buy backs and sales of credits, the recovery of debts and their guarantees, defensive lending practices, the rescheduling and the partial but conditional deferments, the misappropriations and evasions, the bribes and the fictitious registrations, the funds which have never crossed the street but which changed name, it is really difficult to unravel the web. That is why we strongly advocate a generalised audit of the Third World debt, country by country.

The first objective of an audit is to clarify the past, to untangle the web of debt, thread by thread, so as to reconstruct the sequence of events which has led to the present impasse. What has happened to the money of this loan, under what conditions was this loan contracted? How much interest has been paid, at what rate, how much of the principle has already been repaid? How has the debt swelled without the colour of the money being seen? What path has the capital followed? For what has it served? What share has been misappropriated and how?

But also: who has borrowed and in whose name? Who has loaned and what was his role? How did the State find itself committed, by what decision, taken on what account? How did private debts become "public"? Who embarked on phoney projects, who pushed for them, incited them, who profited from them? What crimes have been committed with this money? Why are civil, criminal and administrative liabilities not established?



By Arcadio Esquivel
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