

"Now that we have accomplished this extraordinary business of ridding the world of the spread of apartheid, the next moral campaign must be the international debt." Archbishop Desmond Tutu.

What is this international debt and why must it be cancelled? And where does South Africa fit into the picture?

ALBERT NOLAN explains.

## Why the debt of poor nations must be cancelled

Anyone who has tried to study the problem of poverty in the world today, will know that all our efforts to reduce or eradicate poverty will come to nought unless the crippling national debts of the world's poor nations are cancelled. It has been estimated that today many more people are dying on account of the national debt of their countries than because of war and violence.

How the crisis came about

The international debt crisis has been building up over the last twenty years or so. The story begins with two sharp increases in the price of oil during the 1970's. Not so much because this created a special hardship for poor countries but because it created an enormous amount of new wealth for the oil-rich countries of the world (OPEC). These petrodollars, as they were called, had to be invested somewhere or lent to somebody in order to ensure that the newly accumulated capital would earn interest.

At about the same time the poor nations of the world were looking for cheap loans for much needed development. The international bankers were only too pleased to lend them as many petrodollars as they could at a very low rate of interest. Stories are told of bankers chasing Third World government ministers down hotel corridors pleading with them to take bigger loans.

Then in the 1980's two things happened: interest rates increased dramatically and the price of commodities like coffee and copper produced by the poor countries of Africa and Latin America fell equally dramatically. It was a bit like taking a bond on a house at a low rate of interest and then finding not only that the interest rate has been increased but also that your salary has been cut.

Add to this the fact that many of the poor nations of the world were ruled by unscrupulous dictators like Marcos or Mobutu, or by a greedy elite, who took as much money as they could for themselves and banked it in Europe or America, and one can readily understand why some countries are now deeply in debt.

However, the problem is not just that these countries are no longer able to repay their accumulated loans. They are also doomed forever to pay up to 30% of their annual budget in interest to the rich lending countries or bankers. Most poor countries spend more on paying the interest on their loans than they do on education or health or welfare.

Some countries cannot even afford to pay the interest on these loans, which means that the interest is added to the amount owed and then they are liable for interest on the unpaid interest too. /pp 16-17/

Their debt just becomes bigger and bigger each year.

With the best will in the world these poor countries can never repay such colossal sums of money. Everyone now recognises that. The only result is that the poor become poorer at an alarming rate - and there is no end in sight.

What can be done?

It is no good saying that people must simply find a way of paying their debts. The poor cannot be held responsible for these debts and in any case the loans have been repaid over and over again in the form of many years of interest. The present situation is totally unjust because the interest payments to rich

countries now means that three times more money is being transferred out of poor countries into rich countries than the aid or investment from rich countries to poor countries. The rich are being subsidised by the poor.

There is only one way out. The rich countries and international bankers must simply find a way of cancelling these debts. Hence the Jubilee 2000 Campaign which is being promoted by most church leaders around the world from the Pope to the World Council of Churches and the Anglican Church's Lambert Conference.

### South Africa's debt problem

In one way South Africa's national debt is different, in another way it is the same.

It is the same because it has the same crippling effect upon our economy and especially upon the poor. The second biggest expense in our national budget is interest payments on loans. The biggest expense item is education. But we spend more on servicing our national debt than we do on health or welfare or job creation or combating crime. Again and again we hear government departments saying there is no money for this or that because we have inherited such a huge debt - about R343 billion.

If we did not have to repay that debt and if we no longer had to pay nearly R40 billion a year in interest we would be able to do so much more to combat poverty in South Africa.

On the other hand, our debt is different because 95% of it is owed internally to South African companies and the Pension Fund. Only 5% is owed to foreign countries or foreign banks (see pie chart). There are two reasons for this. Our national debt was incurred by the apartheid regime during the last ten years of its rule. By that time most foreign countries and international banks like the IMF and World Bank were not willing to lend money to South Africa. The government of the time had to borrow internally in order to keep apartheid going.

The second reason for this unusual kind of debt is that, towards the end, the apartheid government put an enormous amount of money into its own pension fund in order to ensure that, if the politicians and their civil servants all had to resign at the same time, there would be plenty of money for their pensions and payouts. But to do this they had to borrow money from somewhere, and they borrowed it, believe it or not, from the same pension fund!

Jubilee 2000 is campaigning for a restructuring of the R160 billion Pension Fund to release some funds for the poor. It is also campaigning for the cancellation of most of the foreign debt because it was incurred to prop up apartheid, and the campaign is trying to persuade South African companies like Sanlam and Old Mutual to cancel their portion of the debt.

The arguments are rather complicated and will be dealt with in a future issue of Challenge. At this point, suffice it to say that the Jubilee 2000 Campaign is not asking the present government to refuse to pay its debts. It is asking those who lent the money to cancel the loans they made to an apartheid government. Nor are they suggesting that anyone lose their pension or their insurance policies. It can be done without allowing that to happen.

Jubilee 2000 is campaigning for some kind of debt relief for all disadvantaged countries - including South Africa.