

History repeating

Jubilee Debt Campaign Review 2012




JUBILEE DEBT
CAMPAIGN

History repeating

It's 20 August. A stricken nation must repay billions on a debt mountain which keeps getting bigger. The banks that made the loans have been bailed out with public money, while the country's social fabric is being wrenched apart by cuts to its national budget. The seriously sick go without medicine, the number of homeless increases daily, and murder and suicide rates are rising sharply.

In 2012, of course, this was Greece. But as I told journalists that day, there was a startling historical parallel. Thirty years to the day – 20 August 1982 – Mexico had been due to make a similar debt payment to Western banks.

These banks had gone on a lending binge during the 1970s. Four of the fifteen largest lenders to Latin America by 1982 were British banks: Lloyds, Midland, Barclays, and Natwest. Then, at the end of the 1970s, interest rates were put up massively to save the banks from inflation. The costs were pushed onto Third World countries like Mexico.

By 1982 the situation had become critical. On 20 August Mexico defaulted on its \$50 billion debt, and the global banking system woke up to what came to be called the 'Third World Debt Crisis'.

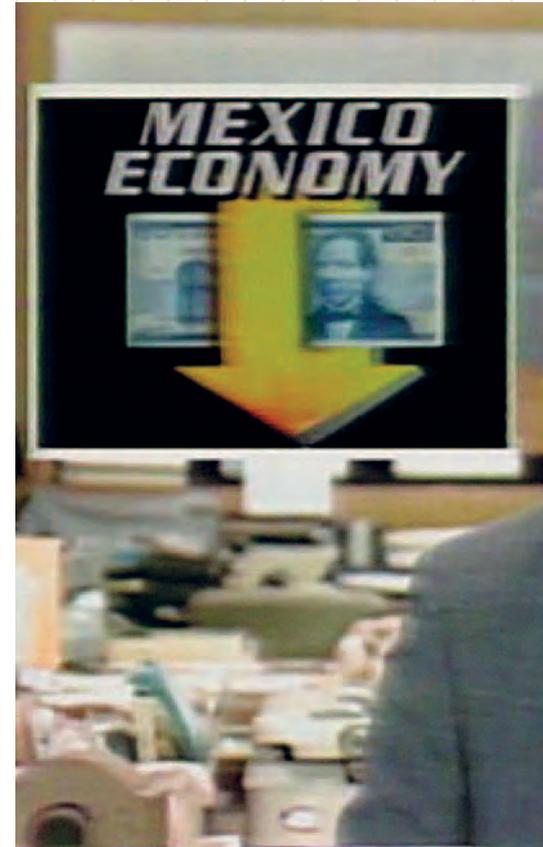
Just as we've seen in Europe, public money was used to provide bailout loans to countries like Mexico. This money did nothing to help Mexico's people – it went straight back out of the country to pay off the banks. But in order to 'earn' these new bailout loans, Mexico was told to introduce radical austerity policies.

One after another Latin American economies collapsed, as austerity was pushed onto them by the International Monetary Fund. By 1990 these economies had shrunk, while foreign debts had more than doubled. 65 million more people were in poverty.

Despite the fact that austerity, privatisation and so-called 'free trade' utterly failed to solve the crisis of debt, these policies were repeated in country after country. In Africa, the number of people living in extreme poverty increased from 205 million in 1981 to 330 million in 1993.

The cost of Third World Debt in lives and livelihoods is difficult to comprehend. Certainly it has been far greater than any natural disaster. But there was nothing natural about this catastrophe.

This was a crisis created by political decisions and economic dogmas. It was



▼ ABC News reports on the Mexican debt crisis, 20 August 1982 – the day the global banking system woke up to Third World Debt.



a crisis which paved the way for the desperately unequal, disaster-prone global economy which governs our lives today.

Today Greece, as well as other European countries, faces a similar crisis. Public money has been used to repay reckless banks, forcing Greece's economy through one of the worst depressions of modern times. Youth unemployment exceeds 50%, while the size of Greece's debt relative to output has soared, not fallen. Vulture funds are buying up the country's debt to speculate with it.

But there is hope.

Jubilee arose to challenge the inhumanity of debt and austerity policies in the global South. We joined movements around the world calling for deep debt cancellation and a radically new financial system which worked for people and planet.

Today new debt movements are springing up across Europe. They are looking back to the history of the Third World Debt Crisis. They are learning many lessons and finding much inspiration.

We have achieved great things in our short history. \$130 billion of the unjust debts of

the most impoverished countries have been cancelled thanks to global campaigning. This has freed up government spending, allowing investment in health and education.

But we have not changed the way the debt system works. We haven't broken the deadly cycle of debt and austerity which has caused so much suffering over so many years.

That's why we are renewing our call for a Jubilee. A Jubilee refers to the ancient practice of cancelling debts and restoring justice to the lives of all members of society.

In this review we spell out what we mean by such a Jubilee today, as well as celebrating some of the successes of the last 12 months and offering a vision of how a movement of ordinary people can achieve real change – a more humane, equal and democratic economy.

Nick Dearden
Director



Together we can win

Over the past 12 months we have proved it is possible to win real change and build a movement capable of challenging power.

We won more battles against vulture funds.

Vulture funds are companies that buy up the debts of crisis-hit countries at knock-down rates with the aim of making huge profits. As an economy goes into free fall, these companies buy debt cheaply with the intention of forcing the country to pay up ‘in full’ at a later date.

Two years ago we won a fantastic battle – restricting the vultures’ ability to take impoverished countries to court in London. This immediately meant Liberia did not have to hand over £25 million to a vulture fund.

Unfortunately the law did not extend to British crown dependencies like Jersey. We campaigned to end this loophole. *Thanks to this campaign Jersey, Guernsey and the Isle of Man are all on the verge of passing anti-vulture fund laws.*

We had another victory when *the Supreme Court in London overturned a decision to award a vulture fund \$100 million linked to the Democratic Republic of Congo.* The case sets an important precedent which

will severely curtail vulture funds’ ability to threaten countries in future.

We came a step closer to an audit of ‘Third World Debt’ in the UK. Our Dodgy Deals campaign on the Export Credits Guarantee Department has exposed the way that many of the developing world debts ‘owed’ to the UK were run up selling goods and services to some of the world’s worst regimes.

Through this department (now known as UK Export Finance) the government backed loans for dictators to buy British weapons, including General Suharto of Indonesia, Saddam Hussein of Iraq and the military junta in Argentina (which later used those weapons to invade the Falkland Islands). It also backed loans for weapons to Mugabe’s Zimbabwe and Mubarak’s Egypt.

These debts continue to haunt countries long after the regime that made the deal has fallen. Often people have little idea how the debt was even run up. We believe that no reasonable person could expect such unjust debts to be repaid.

The first step towards identifying unjust debts is an audit – a public inquiry to examine what the debts consist of, how they

were run up, and what impact they had on the country. After months of campaigning, *the British Government released figures on the proportion of debts resulting from military exports – and other trade sectors – for the first time.* Although not a formal audit, this takes us a vital step closer to being able to identify individual contracts to assess their legitimacy ourselves.

What’s more *MP Lisa Nandy has launched an All Party Parliamentary Group inquiry into the activities of UK Export Finance, accompanied by a major newspaper exposé of the unjust debts concerned.*

We have helped forge a global movement for debt audits. Although they sound like a technical exercise, debt audits are political projects to open a country’s debt records to its people so they can begin to understand the role of debt in their society and the damage it has inflicted on them and their environment.

Debt audits were pioneered by debt activists in Brazil in the 1980s, and since then many activists have used ‘citizens debt audits’ to increase education and awareness. In 2008, Ecuador became the first country to organise

▼ Vulture fund protest outside the Privy Council, Jersey's highest court of appeal, May 2012.



an official debt audit, which led to the wiping out of billions of dollars of debt.

Debt audits can play an important role in helping to ensure democratic control of post-dictatorship societies – keeping the economy out of the hands of institutions like the International Monetary Fund. For that reason *we have assisted activists in countries like Egypt and Zimbabwe to find information to challenge their debts.*

We have also helped foster debt audit movements in Europe – there are now thriving groups in Greece, Spain, Portugal, Ireland, France and Belgium.

Debt audits are growing in importance internationally. Recently the government of Tunisia and the senate in Pakistan declared their intention to carry out debt audits. Moreover, the government of Norway has begun to audit all of the debts it is owed – proving creditor countries can do the right thing and recognise their role in creating injustice.

Part of a global movement

We work in solidarity with groups around the world so they can free themselves from their unjust debts and build a more democratic economic system. In 2012 we have especially worked with activists in:

EGYPT

In the best tradition of dictators, Hosni Mubarak pillaged Egypt's economy, and left office with as much as \$70 billion in his family's bank account while bequeathing \$30 billion in debt to the Egyptian people. The true creditors of Egypt are not the Western states who used loans to prop up dictators across the Arab world. They are the people who suffered under this rule.

The Popular Campaign to Drop Egypt's Debt arose in 2011 to push for Egypt to stop paying unjust debts, reclaim stolen assets, and invest Egypt's resources in its people rather than taking new loans. They have formed a vibrant movement and persuaded senior officials to break their silence on Egypt's unjust debts.

We undertook research on Egypt's debt to the UK, organised for Egyptian activists to speak in the UK and made connections between Egyptian activists and Latin

“Egypt’s debt is Mubarak’s debt. It is not the Egyptian people’s. Egyptians never had a say in the borrowing that was done in their name, let alone borrowing to buy arms.”

Dina Makram Ebeid, Popular Campaign to Drop Egypt’s Debt

American activists who have experienced what those in Egypt are going through.

In 2013, we will push the UK Government to take concrete action to freeze the corrupt assets of Mubarak’s regime which are benefiting London’s financial sector, and continue pressing for the cancellation of debt inherited from Mubarak.

ZIMBABWE

Robert Mugabe is still President of Zimbabwe, in spite of the terrible damage he has inflicted on his people. Zimbabwean debt campaign ZIMCODO is not calling for debt cancellation while Mugabe remains in power, but for a debt audit instead.

While the British government says it is pointless to ‘rake over the past’, debt activists want to expose the long-term role played

by foreign governments and international institutions in laying the foundations for Zimbabwe's catastrophe. If they don't, they know the debt will be used to undermine Zimbabwe's hoped-for new democracy. A debt audit could prove clearly why decisions about debt cancellation must not be left to creditors, who have vested interests.

We helped ZIMCODO begin its audit by producing a dossier of UK lending. We discovered that Zimbabwe's £210 million debt to the UK includes loans from the Blair government to Zimbabwe's police force while it was engaged in internal repression. At least \$750 million of Zimbabwe's overall debt comes from ‘structural adjustment’ loans from the IMF and others which lowered growth and increased unemployment.

In 2013, we will support ZIMCODO in opposing Zimbabwe being forced post-elections into a debt cancellation process which includes undemocratic conditions and, ironically, new loans.

GREECE

The debts of European countries like Greece have not arisen from authoritarian regimes. Nonetheless, people in Europe are

▼ Break the chains of Greece's debt protest outside the European Commission in London, February 2012.

questioning whether their debts are just, as they enter the downward spiral of austerity and debt.

There has already been some debt cancellation for Greece and it is widely accepted that there will need to be more. But European authorities seem hell-bent on recouping as much money as possible for their banks before the inevitable happens – no matter what the cost for Greece's people. All the while vulture funds – many of which have bought up Greek debt controlled by British law – are allowed to continue hounding the country.

The call for a debt audit in Greece, which we supported, is part of a positive response to this injustice. It has been so successful that its demands have been taken up by the main opposition party, Syriza.

In 2013, we will support debt audit movements across Europe as well as highlighting and fighting vulture funds trying to profiteer from Greece's misery.



Whose debt is it anyway?

We believe campaigning is not simply about changing policies, but changing the values of the society we live in.

There is a strong belief in our society that debts should always be repaid. Although there are good reasons for this, few of us would really follow this to the letter when it comes to an individual's lending. For instance, many people would like to rein in the growth of 'payday lenders' – companies that prey on people's desperation. Equally, not many of us would demand repayment on a loan if it meant the payee would die or suffer serious illness as a result of that repayment.

When it comes to government debt, things become more complex still, because of the

“One might think it would be hard to make a case that the loss of 10,000 human lives is really justified in order to ensure that Citibank wouldn't have to cut its losses on one irresponsible loan that wasn't particularly important to its balance sheet anyway.”

David Graeber, 'Debt: The First 5,000 Years'

misalignment of responsibility and reward which lending and debt has on different sections of society.

Debt can be a legitimate tool in managing an economy. However, it can also fuel inequality, as those with assets gain at the expense of those without. The financial crisis was caused when debt was used to paper over the cracks of growing income inequality in society.

At the extreme end, much of what we call 'debt' has never really been 'lent' at all – debt is merely an asset which is bought and sold by financial companies to make a speculative profit.

We are not going through the first debt crisis in history – there have been many. The world's great religions have grappled with the morality of debt for millennia. The Hebrew Scriptures and Christian Bible speak of the Jubilee Year in which debts are cancelled. The Qur'an condemns usury and requires zakah (almsgiving) as an essential duty to prevent wealth being accumulated only among the rich. Dharmic faiths from the Indian sub-continent teach similar principles, teaching that wealth is held not for oneself but on behalf of all human beings.

During the financial crisis many beliefs have been challenged by the irresponsibility of the banks. We are contributing towards questioning social values in our popular education work. Our Jubilee for Justice petition is not simply a campaign with a set of policy demands, but an educational programme aimed at getting discussions going on the nature of debt and the 'good economy'.

We hold regular film nights with other campaign groups to give activists a greater depth of knowledge and the opportunity to discuss and debate big issues. We have a Multifaith Committee based in Birmingham which has undertaken an outreach programme on debt and global poverty.

In 2013 we will work with organisations in eight European countries to debate the similarities and differences of the European and 'Third World' debt crises, and what lessons we can learn.

▼ Launch of the Independent Citizens' Debt Audit Commission in the Philippines. *Photo: Freedom from Debt Coalition (Philippines)*



NEW FINANCIAL SYSTEM

We call for fundamental changes to the financial system, to make it accountable to wider society, and to prevent it giving incentives to behave in a greedy and selfish way.

Our work on export credits has attempted to change the way our Government backs loans for other countries to buy British exports, without regard for the human cost.

Our work on vulture funds has demonstrated the failings of an unregulated financial system. We are now using the work to push for a further reigning in of the ability of companies to speculate on debt.

In 2013 we will challenge the idea that foreign 'investment' is always good – looking at the way that growth in many Southern countries today is built on unregulated and unstable flows of money that fuel inequality.

We will develop proposals to regulate the flow of money in and out of economies as a means to prevent the recurrence of debt crises we have seen since such policies began to be abolished in the 1970s.

Building a movement

Grassroots activism – including in community groups, faith groups and trade unions – has been the basis for all progressive change in society. The scale of the economic crisis we face means we need much more activism. We believe the battle against global poverty and inequality is the equivalent to the battle against slavery in the nineteenth century: we will only win this battle as part of a wider movement for change, working in solidarity with groups across the world.

To help build this movement, we need to go beyond single-issue debt activism, and beyond engaging activists through contacting MPs about individual policy changes. We also need to foster a wider ‘economic justice’ activism based on deeper levels of creativity, education and empowerment.

“Occupy has been successful in its efforts to popularise the problems of the global financial system for one very simple reason: they are right.”

Andrew Haldane, Executive Director of Financial Stability, Bank of England

Although many people are outraged about economic injustice, there is great confusion over how the economy works. We can help share lessons from movements and campaigns from across the world.

In 2012, we began a project to support economic justice activism in the UK. As well as working with other campaign groups like the Trade Justice Movement, War on Want, World Development Movement and People & Planet, we have also offered support to Occupy London and UK Uncut, and begun a new ‘office activist’ scheme to assist the work of grassroots activists.

We organised joint economic justice conferences in Manchester and Birmingham. We are a founder member of the Progressive Development Forum, to push for a more radical approach to anti-poverty campaigning in the UK. We launched an economic justice reading group website for use by activists across the country. And we organised a number of protests to highlight the injustice of economic policies being pushed on countries like Greece and Ireland.

2013 will be a key year for activism. As the G8 returns to the UK, the European debt crisis

is causing increasing social breakdown in many countries. We must play a full role in the debate that will ensue – ensuring people in the UK understand that alternative policies really do exist to debt and austerity, for the benefit of people across the world. We will give activists the tools they need to debate, discuss, learn and mobilise.

In 2013 we will organise a major event to challenge G8 policies and debate economic alternatives and their impact on poverty and inequality. We will organise intensive skills training sessions for activists, and produce educational materials demystifying the financial crisis.

▼ Asking Business Secretary Vince Cable to investigate Britain's Dodgy Deals at the Liberal Democrats spring conference, March 2012. Photo: Tim Kenny/North East Call to Action



Justice not charity

We don't believe that poverty will be wiped out through benevolence. The Third World Debt Crisis shows how poverty is deeply political.

Fighting poverty means challenging unjust financial and economic rules. It means challenging soaring inequality. It means allowing people in the global South to have control of their own economies, their own societies and their own lives.

We can only start to build a world without poverty when we change the economic and political rules and institutions responsible for poverty – this means challenging the vested interests that benefit from keeping things the way they are. For Jubilee, centrally, this means shifting power away from the institutions of big finance – like banks – and back towards ordinary people and communities.

We take inspiration from an ancient concept, that of 'Jubilee'. A Jubilee was a time when debts would be wiped out as people recognised the damage which debt could do.

A Jubilee went beyond simply 'dropping the debt' – it included restitution for the damage that debt had caused – freeing people sold into slavery to pay their debts, returning land

to the freeholders who had been forced to sell, leaving overburdened fields to recover their fertility.

Today we need a new Jubilee – not just to cancel debts but to create a more fair, equal and democratic economy. We launched our call for a Jubilee for Justice ahead of the Diamond Jubilee celebrations in June. It was backed by a groundbreaking report, *The State of Debt*, which has been widely used and even quoted in Parliament. Jubilee for Justice calls for:

Debt cancellation. When the payment of debts causes suffering, impoverishment and growing inequality, it cannot be right that they are paid. Debt is not only the responsibility of the borrower – the burden of reckless debt needs to be shared with the lender. The institutions that created the debt crisis cannot simply return to making profits with no care for the trail of devastation left behind by their decisions.

Tax justice. Debts can be just, when taken out in a democratic fashion for productive investment, but they are not the only way for governments to raise funds. Taxes can ensure companies and investors in a country

“Ten years ago I was part of a movement called Jubilee 2000, which changed the way people think about debt. It challenged a deeply held principle that ‘debts must always be repaid’ by showing how, in the case of many debts owed by impoverished countries, the consequences of repayments were creating nearly unimaginable suffering.”

John Sentamu, Archbishop of York

pay a fair share for being there. It provides a means of redistributing wealth in a global economy which is too unequal. Progressive taxation is an important element of solving the problems of economic injustice.

Control lending. We must introduce rules to make financial markets work for people. Regulating flows of money will help move us away from an economy based on speculation and “making money from money”. It will help control the lenders and will remove the control that financial markets have over every aspect of our lives.

The Jubilee for Justice call has been taken up by many thousands of activists and hundreds of faith leaders – from Christian, Muslim, Jewish, Hindu, Sikh and Buddhist backgrounds. The call was endorsed in a *Guardian* article by the Archbishop of York.

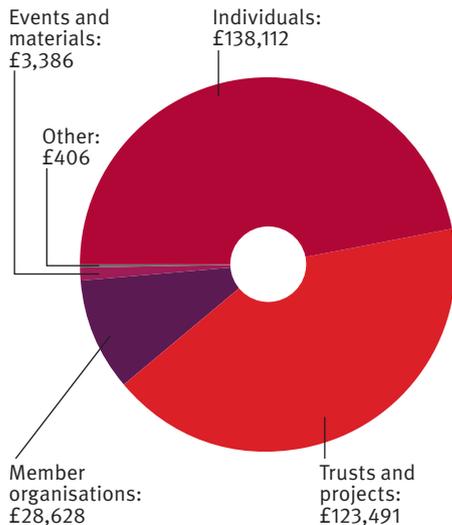
In 2013 we will organise a parliamentary reception to mark the hand-in of the faith leaders letter to the Prime Minister. We will organise a symbolic action with the hundreds of metres of Jubilee for Justice paper chain petitions when the Prime Minister hosts the G8 group of nations in the summer.

▼ A protest against unjust debt in Bolivia. Debt cancellation has helped Bolivia's progressive government achieve great reductions in poverty, but Jubileo Bolivia's fight for economic justice and equality continues. *Photo: Jubileo Bolivia*



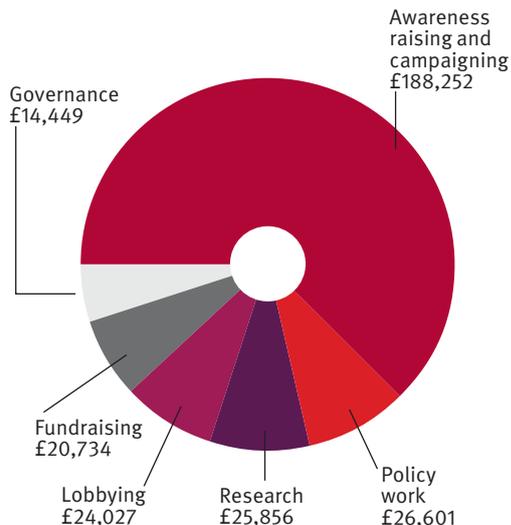
Accounts 2011

INCOME, TOTAL: £294,023



Thanks to funding received from The Tudor Trust, the Methodist Relief & Development Fund, the Co-operative Group, Christian Aid, Islamic Relief and all of our national and local affiliates.

EXPENDITURE, TOTAL: £299,919



For our full audited accounts, see www.jubileedebtcampaign.org.uk/accounts



Jubilee Debt Campaign is part of a global movement demanding freedom from the slavery of unjust debts and a new financial system that puts people first.

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JDC in numbers

- 5** members of staff
- 9** office volunteers and activists
- 16** trustees
- 18** national organisations
- 45** Great North Runners
- 46** local and regional groups
- 514** regular donors
- 13,620** supporters
- 18,492** campaign actions taken

▼ Runners from Newcastle University do Olympic gold medalist Mo Farah's 'Mobot', ahead of the Great North Run, September 2012. *Photo: Tim Kenny/North East Call to Action*

Front page image: Graffiti in Athens points the finger at the International Monetary Fund as the country's debt crisis deepens. *Photo: REUTERS/Yorgos Karahalis*



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