

# The Jobs Letter

No. 233

28 June 2005

Essential Information on an Essential Issue

## KEY

THE INTERNATIONAL  
CAMPAIGN TO END POVERTY

### GLOBAL CONCERTS TO FIGHT POVERTY



JULY 2, 2005

### THE UN MILLENNIUM GOALS *to be achieved by 2015*

ERADICATE EXTREME  
POVERTY AND HUNGER

ACHIEVE UNIVERSAL  
PRIMARY EDUCATION

PROMOTE GENDER  
EQUALITY AND EMPOWER  
WOMEN

REDUCE CHILD MORTALITY

IMPROVE MATERNAL HEALTH

COMBAT HIV/AIDS, MALARIA  
AND OTHER DISEASES

ENSURE ENVIRONMENTAL  
SUSTAINABILITY

DEVELOP A GLOBAL  
PARTNERSHIP FOR  
DEVELOPMENT

## Making Poverty History

- Over the last month, the international community has seen unprecedented moves to **help end poverty** in the world's poorest countries — both in cancelling the debt burden of some developing nations, and a renewed commitment to deliver more and better aid to where it is needed.

These efforts will be brought to a focus over the coming week with huge Live Aid-style concerts in 8 countries ... all aiming to put pressure on the world's richest leaders gathering at the G8 Summit in Gleneagles in Scotland.

In this special issue, *The Jobs Letter* looks at these latest moves to “make poverty history” ...

- The finance ministers of the world's seven richest nations have **written-off the debts** owed to international development banks by fourteen African, two Central and two South American nations. These countries have met the minimum standards of good governance and fiscal responsibility as assessed by the World Bank, the International Monetary Fund and the Asia Development Bank. Another nine countries (all African) are expected to qualify for this same debt relief over the next 12 – 18 months.
  - The debt cancellation — will see a 100% write-off of about \$40 billion of public debt. The measures have been seen as a triumph for its most prominent political proponents British Prime Minister Tony Blair and his Finance Minister Gordon Brown who say the write-off has set the stage for July's G8 summit, where world leaders will forge a new and better relationship between the rich and poor countries of the world. Brown: “We are presenting the most comprehensive statement that finance ministers have ever made on the issues of debt, development, health and poverty.”
- Perhaps reflecting the situation faced by the wealthy finance ministers, United States Treasury Secretary John Snow says the rich countries have grown impatient with endless cycles of “borrow and forgive”. In turn, the ministers agreed it is better to write-off, once and for all, debts that they recognise will never be paid.
- Governments in rich countries have themselves a long history of borrowing. At the end of the 18th century, Britain owed 215% of its national income to financiers. Yet this massive debt did not pull down the economy but helped to fuel its Industrial Revolution. The borrowing helped provide the capital for things like railways and roads, and waste and sewage systems. Such investments built-up the economy and enriched the lives of people by providing economic opportunities and raising the standard of living. The borrowing was considered long-sighted and a successful investment in the future of the country.

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# The Jobs Letter

## ODIOUS DEBT

*"If a despotic power incurs a debt not for the needs or in the interest of the State, but to strengthen its despotic regime, to repress the population that fights against it, etc., this debt is odious for the population of all the State."*

*"This debt is not an obligation for the nation; it is a regime's debt, a personal debt of the power that has incurred it, consequently it falls with the fall of this power."*

*"The reason these 'odious' debts cannot be considered to encumber the territory of the State, is that such debts do not fulfil one of the conditions that determine the legality of the debts of the State, that is: the debts of the State must be incurred and the funds from it employed for the needs and in the interests of the State."*

— Alexander Nahum Sack,  
1927

The experience of **poor countries borrowing** has been quite another story. Since the second half of the 20th century, many African countries' were loaned enormous sums of money. On paper, these loans were for development projects, often for infrastructure. But in the vast majority of cases, projects were not well thought through and accountability was not only negligent, but often fraudulent and little of the money was ever used for the purpose it was lent. Instead, corrupt government officials, including the heads of states, siphoned-off immense amounts and amassed incredible personal fortunes.

Professor John Stremlau of the University of Witwatersrand says a good example was Mobutu Sese Seko of Zaire (now the Democratic Republic of the Congo). Mobutu pocketed his country's development loans rather than spend it on the public works. All the while, the US turned a blind eye because Mobutu served a **strategic purpose**: he removed the likelihood of an elected communist regime becoming established in the resource-rich country. During Mobutu's 22-year reign, Zaire received \$9.3 billion in foreign aid, primarily from the World Bank and the IMF. The UN Conference on Trade and Development estimated that nearly \$18 billion was wrongly taken out of Zaire during the Mobutu years.

Many African leaders now believe that the IMF and World Bank "loans" were a means of the West buying influence during the **Cold War** when the West and the Soviet Union were vying for influence in Africa. Similar arrangements were in place, using IMF and World Bank billions, with many clearly corrupt governments including Suharto in Indonesia, Marcos in the Philippines and Moi in Kenya.

- The European Union ministers surprised and delighted aid agencies around the world last month when they agreed to **double their current aid** commitments to developing nations. All member states which joined the EU before 2002 have committed to reach a target of spending 0.51% of their GDP on foreign aid by 2010, rising to 0.7% by 2015. Hilary Benn, British Development Secretary says the commitment "sends a powerful message to the world."

The 0.7% target was set in 1970 by the UN but only four countries — Denmark, Sweden, the Netherlands and Luxembourg — have met it (and some of these intend to exceed 0.7%). Six others — Finland, Belgium, Spain, France, Germany and Britain — have now promised to. Countries who joined the EU since 2002 have longer to reach much lower targets. If all 25 EU member states meet their pledges, EU collective aid to developing countries will rise from \$40 billion this year to \$80 billion in 2010.

- Meanwhile, the United States aid commitments are looking decidedly modest at only 0.16% of GDP in 2004, though Washington insists that it bears its share of international burdens. However, the EU commitment may make the US policy makers think again.

Former US Deputy Secretary of Defence Paul Wolfowitz, who has recently been appointed head of the World Bank, is now **urging** the Bush Administration to help fund a **big push for Africa**. Wolfowitz regards Africa as "on-the-move" and "full of real partners with whom the West could work". He is preparing proposals for next week's G8 summit that include extra aid to combat malaria, create better infrastructure, and boost lending for small and medium-sized businesses.

Wolfowitz believes that Africa could absorb more aid without the cash being swallowed up in corruption. He appears to be philosophical about some of the problems associated with aid pointing out that if donors knew that 25% of every dollar was being stolen, but that the other 75% was being spent on education or treating AIDS patients, then it wouldn't be right to

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— Benin



— Bolivia



— Burkina Faso



— Ethiopia



— Ghana



— Guyana



— Honduras



— Madagascar



— Mali

pull the plug and leave the dying, the needy and the illiterate with nothing. In the long-run, Wolfowitz believes, “Corruption is something that doesn’t survive the light of day very well.”

- Washington has increased its aid commitment by about half but has, so far, refused to follow the European lead and double its aid to Africa. In order to keep the development momentum going, British finance minister Gordon Brown is appealing to the **oil-producing states** of the Middle East to donate some of their oil wealth to Africa. Brown says oil producing countries such as Saudi Arabia, the United Arab Emirates and Kuwait could help. Brown: “I would like to see the countries that have done well out of the rise in the oil price being willing to make a contribution also to the new development agenda, and particularly to debt relief and to international aid.”
- In contrast, trade and justice activist Naomi Klein writes in *The Nation* that instead of OPEC oil wealth being used to “save Africa,” sub-Saharan Africa must be allowed to **use its own wealth** to save itself. Africa is a rich continent with, not just oil reserves, but also gas, diamond, gold, platinum, chromium, ferroalloy and coal resources.

Klein argues that 70% of Nigerians still live on less than \$1 a day while Shell Oil is still making superprofits. And Equatorial Guinea, which has a major oil deal with ExxonMobil, is getting a mere 12% of the oil revenues in the first year of its contract — a share so low, Klein says, it would have been scandalous even at the height of colonial oil pillage.

Klein says what keeps Africa poor is not a **lack of political will** but the tremendous profitability of the current arrangement. The poorest continent on earth is also the world’s most profitable investment destination. According to the World Bank’s 2003 Global Development Finance report, Africa offered the highest returns on foreign direct investment of any region in the world. Klein: “Africa is poor because its investors and its creditors are so unspeakably rich.”

- Even with the heartening news of debt relief and more aid, fair trade campaigners say there is a missing leg to the stool that could lift Africa out of poverty: Western **agricultural subsidies**. Jonathan Glennie, of Christian Aid: “If Gordon Brown thinks doubling aid will end poverty he has been reading the wrong literature.”

A systemic advantage all wealthy countries hold over impoverished ones is their agricultural subsidies. Subsidies paid to rich countries’ farm producers allow them to sell their goods for less than it costs to produce them. They are therefore able to undercut the prices of goods imported from less developed countries. This arrangement also allows them to sell their artificially cheap goods into developing countries, which results in stifling local development. No poor countries subsidise their farm producers ... but all G7 countries can and do subsidise theirs.

Nicky Oppenheimer, chairman of the De Beers Group: “It is more politically expedient to pour aid into Africa than for Europe and America to cut farm subsidies, which enable their own farmers to dump their produce in Africa and impoverish African producers. While those subsidies and tariffs remain in place, the campaign to lift Africa out of poverty will remain mired in hypocrisy.”

- The Commission on Africa — launched by British Prime Minister Tony Blair in 2004 to take a fresh look at Africa’s development — has pointed out that the EU remains “the largest protector of agriculture in the world”, and is still **dumping surplus foodstuffs** at a fraction of what it costs to produce them.

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—Mauritania



—Mozambique



— Nicaragua



— Niger



—Rwanda



— Senegal



— Tanzania



— Uganda



— Zambia

European farm subsidies — the Common Agricultural Policy or CAP — was instituted at a time when the memory of post-War food shortages were vivid in Europe and agriculture was a key element in the continent’s recovery. But Tony Blair insists times have changed and he will be putting the elimination of the EU CAP on the table at the G8 summit. And Blair will use Britain’s presidency of the European Union, which begins next month, to argue that the CAP is a wasteful anachronism. Blair: “It does not reflect the economic priorities of the European Union in the 21st century. We have made it clear that the Commission’s budget should be fundamentally reviewed with a view to removing these distortions.”

- The Confederation of British Industry is among those who are backing the call to **reform farm subsidies**. Director-general Sir Digby Jones: “Africa needs more money, but if it’s not linked to ending European agricultural subsidies, it’s blatant hypocrisy. The way to build lasting economic growth, healthcare and education is for Europe to end the CAP. Stopping trade-distorting subsidies will allow African products to be exported and stop European goods being sold more cheaply in Africa.”

*The figures.* CAP subsidies swallow up more than 40% of the EU budget for the benefit of 5% of its population. Other European industries — mining, manufacturing and textiles — have been exposed to the rigours of the markets for many years. European taxpayers currently provide their farmers with \$30 billion in subsidies each year. And the OECD estimates that the resulting inflated food prices due to CAP pushes the cost to European consumers up to \$70 billion per year.

- The conditions the poor countries are required to meet in order to qualify for debt relief are much more than showing “good governance and accountability”, as reported in the media. The debt relief statement that the G7 finance Ministers have signed includes that for countries to qualify they had to “tackle corruption, boost private sector development” and eliminate “impediments to private investment, both domestic and foreign”.

These conditions may sound reasonable, but the recent experience for Uganda — one of those qualifying for debt relief — has been that it had had to sell most of its state-owned companies. UK-based ActionAid has called on the G8 to announce that developing nations will no longer be required to privatise their infrastructure. But there has been little reported in the media about this and it seems unlikely to gain traction at the G8 summit.

- The African countries are also being required to drop their **trade barriers** — the same barriers that Western producers in the US and EU are keeping in place themselves. The effect of dropping the trade barriers in developing nations has been immediate. Just three examples:

*Frozen chicken:* African countries have seen a dramatic rise in imports of cheap frozen chicken parts from the EU. Since European poultry farmers are able to feed their birds on subsidised grain, they can undercut local producers by half. Having their markets forced open to subsidised imports has devastated the developing poultry industry in countries such as Ghana and Senegal.

*Maize:* In many parts of Africa maize is the staple diet, often ground into meal to make porridge. Subsistence farmers as well as larger operators used to sell their excess production to local poultry producers. But that market has collapsed due to the decline of the domestic chicken industry.

*Tomatoes:* Since African countries were forced to dismantle tariffs protecting local growers, they have been unable to compete with European farmers, who receive export subsidies. Canned tomatoes and tomato paste from Europe have prevented processors in West Africa getting on their feet. The resulting slump in demand for domestic products has resulted in African tomato production falling by two-thirds.

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[www.makepovertyhistory.org/](http://www.makepovertyhistory.org/)



[www.jubileedebtcampaign.org.uk](http://www.jubileedebtcampaign.org.uk)



[www.actionaid.org/](http://www.actionaid.org/)



[www.one.org/](http://www.one.org/)



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[www.g8alternatives.org/](http://www.g8alternatives.org/)

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- Sir Bob Geldof and U2's Bono and others have thrown their celebrity weight behind the eradication of poverty in impoverished nations. To push the point, they are organising eight free concerts on 2 July, just prior to the G8 summit.

TV2 will be carrying a live broadcast of the **Live 8 concerts** beginning early on Sunday morning (3 July) from 2 am to 12 noon. The concerts will be coming from London's Hyde Park, the Circus Maximus in Rome, beneath the Eiffel Tower in Paris, the Potsdamer Platz in Berlin and from the steps of the Museum of Art in Philadelphia. There will also be concerts held in Tokyo, Toronto and Johannesburg. Artists scheduled to perform include U2, Coldplay, Mariah Carey, Elton John, Paul McCartney, Madonna, Will Smith, Bon Jovi, Stevie Wonder, Maroon 5, Andrea Bocelli, Duran Duran and Stereophonics. The Live 8 organisers expect more than a billion people around the world to watch the live broadcasts.

Ironically, the concerts fall on the same day long-time poverty campaigners — Jubilee groups, Make Poverty History, the ONE campaign, ActionAid and others — have called for supporters to converge on Edinburgh to show support for the end of poverty to the G8 leaders.

- The **G8 Alternative** Summit, also being held in Edinburgh, will begin on 3 July. Organisers say 5,000 leading human rights campaigners and environmental thinkers from all parts of the world will "battle" the strategies and ideas coming out of the G8 summit. Among those addressing the alternative summit are Ken Wiwa, son of the murdered Nigerian novelist Ken Saro-Wiwa; Moazem Begg, former prisoner at Guantanamo Bay; Craig Murray, former UK ambassador to Uzbekistan; Willie Madisha, president of the South African trade union federation and former UN weapons inspector Scott Ritter.
- Fair trade activist and *Guardian* columnist George Monbiot says that the real danger at the G8 summit is that it will follow the agenda being set by Live 8's Bob Geldof and Bono. He argues that the entertainers have assumed the role of arbiters, determining whether the leaders of the G8 nations should be congratulated or condemned for the decisions they make. Monbiot: "They are not qualified to do so, and I fear that they will sell us down the river."

Monbiot says anyone with a grasp of development politics who had read and understood the ministers' statement on debt-relief could see that the conditions it contains — enforced liberalisation and privatisation — are as **onerous as the debts** it relieves. Geldof has praised the debt relief as "a victory for the millions of people in the campaigns around the world" and Bono pronounced it "a little piece of history". But Monbiot says: "Like many of those who have been trying to highlight the harm done by such conditions — especially the African campaigners I know — I feel betrayed by these statements. Bono and Geldof have made our job more difficult."

Monbiot: "I understand the game they're playing. They believe that praising the world's most powerful men is more persuasive than criticising them. The problem is that in doing so they turn the political campaign developed by the global justice movement into a philanthropic one. They urge the G8 leaders to do more to help the poor. But they say nothing about ceasing to do harm. Listen to these men — Bush, Blair and their two bards — and you could forget that the rich nations had played any role in Africa's accumulation of debt, or accumulation of weapons, or loss of resources, or collapse in public services, or concentration of wealth and power by unaccountable leaders. Listen to them and you would imagine that the G8 was conceived as a project to help the world's poor."

"Geldof and Bono's campaign for philanthropy portrays the enemies of the poor as their saviours. The good these two remarkable men have done is in danger of being outweighed by the harm."

## VOICES

### on MAKING POVERTY HISTORY

*"This is not a time for timidity nor a time to fear reaching too high. This year is our chance to reverse the fortunes of a continent and to help transform the lives of millions."*

— **Gordon Brown, British Chancellor of the Exchequer**

*"This is a landmark in international efforts to make faster progress towards the Millennium Development Goals."*

— **Hilary Benn, British Development Secretary**

*"If we lead the way, if we show that we are committed and ambitious to this extent, then other international partners will be obliged, I think, to follow suit and mobilise additional resources."*

— **Louis Michel, the EU's development commissioner**

*"Tomorrow 280 million Africans will wake up for the first time in their lives without owing you or me a penny from the burden of debt that has crippled them and their countries for so long. Money we didn't even know we were owed, and never wanted in the first place, and money they could never repay."*

— **Sir Bob Geldof**

*"There are only 18 countries benefiting at this stage because they have gone through a strict process of conditionality. If the other countries are prepared to do the same, they will also benefit. I've been working on this for seven years and it's very exciting."*

— **Bono, poverty campaigner, musician**

*"We greatly appreciate the initiative. It is a challenge for us to use the money we have been paying on debts to be now used to better the lives of our people."*

— **James Nsaba Buturo, Information Minister, Uganda**

*"We are receiving the news with a lot of hope for our people. We can expand health and education services with this relief. We will also be able to expand our infrastructure."*

— **Daudi Balali, Central Bank Governor, Tanzania**

*"Those faithful in servicing their debt like Kenya are being ignored while highly indebted poor countries who have failed to service the debt are getting more attention. This is not good for Africa."*

— **Peter Anyang Nyong'o, Planning and National Development Minister, Kenya**

*"Debt relief works, and so this announcement is a welcome and significant first step. While this is only cancellation of some of the debts of some of the countries, it does mean that they will have real money that can help stop children dying unnecessarily as a result of extreme poverty. But more still needs to be done — more money, even more countries and other types of debt."*

— **Stephen Rand, on behalf of Make Poverty History**



*"The debt deal is very good news for people in the 18 countries that will immediately benefit, and who will now see all their multilateral debts written off. But it will do little to immediately help millions in at least 40 other countries that also need 100% relief. What is very disappointing is the lack of any substantial concrete commitments on aid and trade justice. G8 leaders should announce an increase in aid to 0.7 percent of national income by 2010, and stop forcing poor countries into failed policies such as privatisation and free trade. It's time the G8 worked with Africa and not against it."*

— **Romilly Greenhill, ActionAid policy advisor**

*"Rich countries will get away with making no reductions to their massive agricultural subsidies and could even increase them if world trade negotiations do not change track. This would have devastating consequences for the developing world and could undermine trade as the vital 'third pillar' — after aid and debt relief — in the fight against global poverty."*

— **Celine Charveriat, Head of Oxfam International Make Trade Fair Campaign**

*"The G-8 proposal for 100% debt cancellation for some poor nations to the IMF and other international lenders is an important first step, but the deal must be expanded to include all impoverished countries, not just those eligible for the HIPC Initiative. Debt cancellation must come without subjecting these countries to devastating economic conditions."*

— **Neil Watkins, Jubilee USA Network**

*"Britain's 'new global deal' for the poor is one of those brilliant propaganda illusions that enjoy widespread sycophancy among courtier-journalists who, like rock stars, prefer to think of their government as benign, regardless of its record of exploitation, lying and violence. That's how Blair got away with his WMD lies for as long as he did and how he is getting away with 'aid' tied to extremist free-market World Bank and IMF policies that have destroyed the poorest countries."*

— **John Pilger, independent journalist**