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Debt

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• In Ethiopia, the government spends four times as much on debt repayment as on health care, even as 100,000 children in that nation die each year from diarrhea.

• The government of Mozambique spends twice as much on debt repayment as on health care, though one-fourth of all children die before age 5.

And those it doesn't kill are shackled by debt, observed Judy Taylor, communications manager for Rochester diocesan Catholic Charities.

Debt is "keeping the people of the world enslaved economically," Taylor said.

"Debtors prisons exist today," said David Bryden, communications coordinator for Jubilee 2000/USA. Entire nations in Africa, Latin America and Asia, he contended, have become the equivalent of such prisons.

Causes and effects

The current debt crisis can be traced to a complex web of poor decisions, unexpected economic changes, lack of oversight, mismanagement and corruption dating back to the 1970s, noted Barbara Kohnen, a policy adviser for the U.S. Catholic Conference's Department of Social Development and World Peace.

During the 1970s, the oil producing nations drastically raised prices, then deposited a substantial portion of that windfall in banks. The banks in turn promoted borrowing on easy terms among Third World nations. A number of Third World nations dipped into the lending pool to promote and sustain their economic growth, and to build their armies.

In 1979, the U.S. Federal Reserve Board sharply raised interest rates to curb domestic inflation resulting from the oil-price hikes. International lending rates rose as well, and because many of the loans made to the Third World had floating rates, those nations suddenly found themselves facing higher-than-expected payments. Meanwhile, because nations like the United States went into recession, markets for Third World products dried up and commodity prices fell, leaving the nations with less cash to meet their payments.

Further, in their rush for economic development, many Third World nations undertook a number of ill-advised or poorly planned projects — such as building unneeded factories, power plants and roads — that remained uncompleted when funds dried up. Not only had these projects used borrowed money, they failed to produce income the nations planned to use to pay their bills.

To keep up with their payments, many nations borrowed even more money, increasing their debt. They also took funds they received in foreign aid and used them

to pay loans.

In addition, Kohnen said, in some nations the money went into the coffers of corrupt officials.

By the 1980s, the indebted nations began turning for aid to such agencies as the International Monetary Fund and the World Bank through so-called Structural Adjustment Programs (SAPs).

The SAPs imposed strict economic conditions, including devaluing the national currency, increasing taxes, reducing government spending and shifting agricultural production from food crops to cash crops.

The unintended message to these nations, Bryden said, was in order to pay your debts, close your hospitals, close your schools, put your children in sweatshops, and cut down your rain forests.

One of the justice issues inherent in the crisis is that the people who end up paying the debt were not those who incurred it, according to Don Rogers, Catholic Relief Services' director of strategic issues and government relations.

"The people who made those debts are not the one who are paying the debts today," he said. "The people who are poor are paying the debts."

"It gets to a point where the debts themselves are not legitimate," Bryden agreed. "They were not contracted by the people."

And unlike people and institutions in the United States, Rogers said, these nations do not have a legal recourse from their debt burdens.

"If you get in over your head you have the capacity to go to bankruptcy court. None of these countries have that (option) at all," Rogers said. "These debts really are unpayable."

"The countries we're talking about here are for all intents and purposes bankrupt," Kohnen said.

Nor are the effects limited to those indebted nations.

"It may not be immediately clear to people, but it does affect us," Taylor said.

Many heavily indebted Third World nations have focused their economies on producing commodities to sell to other nations — rather than food crops to feed their people, or goods their own people can use. This often results in air and water pollution, or the destruction of forests to raise a single, easily marketable crop.

"Sometimes that single crop is drugs," Taylor said. "Sometimes it's the only thing

that the poorer farmers can sell."

Further, Taylor said, other nations' debt burdens hurt U.S. business interests.

"Third World indebted nations can't be customers," she said.

Calls for action

Pope John Paul II's 1994 call to relieve or eliminate Third World debt was not the first or the only such call.

In 1989, for example, the U.S. Catholic Conference's Administrative Board released "Relieving

Third World Debt."

"Today," they wrote in that statement, "Third World children are the orphans of the debt crisis, and their mothers are the widows. Their malnutrition, poverty, and premature deaths indict the patterns of interdependence within and among the nations that have produced the crisis."

The Administrative Board revisited the issue again in March of this year in "A Jubilee Call for Debt Forgiveness."

"As we approach the great jubilee," the bishops wrote in the new statement, "our faith and our church call us to stand with the poor in their just call and urgent hope for debt relief."

Meanwhile, before and during the June 18-20 meeting in Cologne, Germany, of Russia and the G-7 — the world's seven leading industrial nations — church officials and activists held their own meetings, issued statements, and sought legislative action in the United States.

At a daylong international symposium June 13 in Cologne, 16 Catholic bishops from Africa, Asia, Latin America, the G-7 nations and the Vatican said debt relief for poorer nations was "not a question of charity but of justice." At the end of their meeting, the bishops signed the "Cologne Declaration: Putting Life Before Debt." In it, the bishops called not just for a prompt reduction of foreign debt designed to benefit the poor and "for transparency and participation by required by civil society," but also for reform of current SAPs.

In Washington June 15, representatives of the U.S. Catholic bishops strongly backed a U.S. legislative proposal to expand debt relief for the world's poorest countries and channel the savings directly into health and human development.

In a congressional hearing on the proposed Debt Relief for Poverty Reduction Act of 1999 (HR 1095), Archbishop Theodore E. McCarrick of Newark, N.J., chairman of the U.S. bishops' International Policy Committee, and Bishop John H. Ricard of Pensacola-Tallahassee, Fla., chairman of Catholic Relief Services, submitted testimony urging adoption of the measure.

Father J. Bryan Hehir, CRS counselor and professor of the practice of religion and society at Harvard University, presented the bishops' written testimony and addressed the hearing as a witness.

He said the U.S. bishops' policy recommendations for deeper, quicker debt relief and linkage of that relief with poverty reduction stem from their moral vision of the "international common good" and their concern about the human rights and dignity of the poor in the indebted nations.

During the Cologne summit, many non-governmental organizations also met in Germany.

In a statement, Caritas Internationalis demanded that the "most powerful economies in the world cancel the unpayable debt of the poorest countries by the year 2000."



Meanwhile, leaders of religious congregations around the world made a unified statement favoring immediate "cancellation of unpayable debts ... and unjust debts."

In a June 14 statement, the Commission for Justice, Peace and the Integrity of Creation of the Unions of Superiors General of Catholic Religious Orders characterized unpayable debts as those "being serviced by depriving more than half the world's population of food, water, health care, housing, education (and) employment."

In a June 9 statement, the Geneva-based World Council of Churches called on the Cologne summit "to adopt a more radical approach" to debt relief than they had previously taken.

Protests

More than 200 people gathered in Washington June 18 to form a human chain at the U.S. Treasury Department building to call for debt relief. Similar human chains were formed June 18 in San Francisco and Louisville, Ky., and June 19 in San Diego and Milwaukee. An estimated 50,000 protesters gathered in London earlier in June to call for debt relief.

And in downtown Cologne June 19, more than 20,000 people formed a human chain to urge even more relief than summit participants agreed to the day before.

The protesters also presented German Chancellor Gerhard Schroeder, summit host, with the signatures of 17 million petitioners who advocate debt cancellation.

The G-7 meeting did produce a response to international debt: the "Cologne Initiative." Under the initiative, some 33 debtor nations meeting G-7 conditions could over the next few years reduce by as much as \$70 billion the \$127 billion they owe industrialized nations, the World Bank and International Monetary Fund.

More poor countries would receive deeper and faster debt relief in return for a commitment to target the freed financial resources for poverty reduction, education and health services, including the battle against AIDS.

At a press conference the same day in Cologne, Archbishop Oscar Rodriguez Maradiaga of Tegucigalpa, Honduras, said, "Although the amount of debt reduction was not what we expected, a conscience of solidarity has been aroused and we have hope to reach a solution in the future."

Debt was also one of the focuses of Open the Doors to Christ: A National Catholic Gathering for Jubilee Justice held July 15-18 in Los Angeles.

Several diocesan representatives — including Taylor — were among the more than 3,000 people attending the event.

Taylor noted that the Diocese of Rochester is planning to increasingly focus on the debt issue in the coming months.

"As a diocese we are trying to encourage an understanding of debt forgiveness, going from personal to global," Taylor said. Among the education tools will be bulletin inserts, videos and study guides.

"We are trying to use the jubilee as a teachable moment, to help people see their connection to the rest of the world," Taylor said.

Bryden cautioned that the kind of debt forgiveness for which advocates are calling is not blanket in nature.

Any process of forgiveness, he explained, would involve considering each nation on a case-by-case basis. Forgiveness would also require that funds freed from debt repayment be used to relieve poverty. Outside oversight would also be required to ensure conditions are being carried out.

Rogers pointed out that debt forgiveness is a necessary part of helping to solve the problems plaguing impoverished nations.

"At CRS, we see it as a problem that needs to be addressed," he said. "We just see it as one of the first steps to pull people out of poverty."

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