

STRATEGY SESSION 3 - Linking Illegitimate Debt to Other Critical Issues

Illegitimate Debt and the Food Crisis

Discussion Paper and Proposals

The Issue

Rocketing food prices have swept the globe over the last 6 months, creating violent protest and instability in countries as far apart as Cote d'Ivoire, Haiti, Bangladesh and Egypt. In the last 3 years the price of food has increased by 83%.

Biofuels have played a role in this. However, debt and liberalisation/ conditionality associated with debt/ aid also play an enormous role.

Central is the role of the G8/ IFIs in encouraging countries to grow crops for export - which was supposed to bring in the dollars necessary to pay the foreign debt (as well as other forms of growth) - but actually meant countries have no control over their domestic food supply. It has an obvious impact on climate change because more food is unnecessarily traded.

Other aspects of neo-liberal policy contributing to the food crisis.

- Financial sector reform - like privatisation of agricultural development banks - has stripped farmers of their traditional sources of credit;
- Dismantling of agricultural marketing boards - which ensured farmers a stable price for their goods and food reserves to be used in time of short supply;
- Slashing tariffs - which was supposed to provide cheaper imported food to poor people, but actually opened up developing markets to heavily subsidised mass produced goods;
- Subsidies removed for inputs like fertilisers and seeds;
- As a result of the commodification of food, speculation in food products has become massive.

In other words, indebtedness meant countries had to earn foreign currency, thereby forced to export food. Conditions placed on debt cancellation and access to new credit have further destroyed countries food security and increased their vulnerability to external shocks. Debt becomes leverage used to promote the interest of a Western/corporate agenda.

The result: across the world countries that used to be net food exporters from Egypt to Guatemala, are now net importers. Mexico is a net importer of maize used to make the Mexican staple, corn tortillas, while in Kenya the sugar sector shrunk by 79% and 32,000 people lost their jobs.

In 1995 the IMF forced Haiti to slash its rice tariff from 35% to 3%. This resulted in an increase in imports of more than 150% between 1994 and 2003, 95% of them coming from the US. Certainly this meant lower prices for food, but it also devastated Haitian farmers. Traditional rice-farming areas of Haiti now have some of the highest concentrations of malnutrition and a country that was self-sufficient in rice is now dependent on foreign imports.

It is no wonder, then, that the majority of countries experiencing the debt crisis are also countries heavily in debt. Of the 30 countries named by the UN Food and Agricultural Organisation as food-critical, seven are receiving debt cancellation already and the remaining 23 have what JDC regards as unsustainable debts.

The solutions advocated include new loans. The \$1.2billion package the WB announced includes \$1 billion of fresh loans. The changes to conditionality introduced so far by the IFIs to accompany these new loans are by no means adequate, and - though there have been some changes - the IFIs are far from endorsing comprehensive and sustainable agricultural approaches. Haiti received a grant to deal with the crisis, but one which will only cover Haiti's debt repayments for 10 weeks.

Illegitimate Debt

To what extent does the power which has been exerted on the basis of debt burdens and the promise of debt cancellation render this debt illegitimate? Regardless of the original purpose of the debt,

debt in and of itself gives creditors power, and this power has been used to the detriment of Southern countries – particularly the growth of democracy in those countries. This broadens the concept of illegitimate debt and may make achievement of laws and structures that recognise illegitimate debt much more difficult. On the other hand, it situates debt firmly in the context of power relations and allows us to make popular arguments on debt legitimacy which will be widely recognised and understood at a grassroots level.

A key question: what is our objective? Specific political change; awareness-raising; coalition-building?

Directions we could take

Several possibilities present themselves:

- Keep the focus narrow – the food crisis means countries can't afford their debts so speed up debt cancellation. Or: "The food crisis will wipe out gains of additional aid and debt cancellation" – i.e. yet again the limitations of a debt cancellation approach based on limited 'payability' or 'sustainability' approaches have been exposed.
- Examine conditionality in closer detail as part of making the case for illegitimate debt. The inequity and bad outcomes of IFI conditionality can help to explain to the public why poor country debt is quite different from debt as they may conceive of it ('legitimate' debt that they're aware of from their own experiences). It may also help us get bigger agencies on board. This would require closer analysis of exactly which bits of lending or debt cancellation have been used to force which policy conditions on which countries through two or three strong case studies linking debt burden to food crisis and debt cancellation to food crisis.
- This could also focus the campaign more on agro-business and perhaps on hedge funds and private equity companies involved in food speculation. This can link well with farmers' movements, with supermarket and other TNC campaigns, the fair trade movement, etc in both South and North.
- A more ambitious campaign would emphasise democracy, power and food sovereignty. Look at how food sovereignty has been destroyed by debt and how this has been an attack on democracy. Run a propositional campaign saying that the only way to return democracy and food sovereignty to the developing world is through debt cancellation and an end to unequal trade policies.

Campaign idea based on whichever path we chose (though the last is most appropriate): different sections of the movement provide examples and case studies from their own countries to build a global picture of the connections between the food crisis and debt (we could bring climate change into this too). Key questions would be:

- What are experiences of the food crisis in your country?
- How did it come about (economic policies etc)?
- How much debt does your country have?

This – plus testimonies from affected communities, etc – would allow us to release a global report or have a global website which sections from the richer world could try and raise money for the project, build audiences among the interested public, and play a role in pulling it altogether. It would allow us to link into the food crisis in a more meaningful and useful way, may attract support from bigger NGOs, would be southern-led and would allow us to get debt on the agenda at a higher level.

Hooks:

As well as the ongoing political and media interest in this issue there are some specific political opportunities.

- FfD in Doha, 2009
- UNFAO Conference 2009?
- Climate conference (Posnan 2008; Copenhagen, 2009)