4. Learn

What does Jubilee justice look like today?

I. Cancellation of *illegitimate* debt - We believe people have the right to *refuse* to repay someone else's debt.

"I don't think we should just let a nation off the hook because we are sympathetic to the fact that they are having difficulty. As debtors, I think they should be made to pay as much as they can bear without breaking them. You just can't let your heart rule in these situations."

These are the words of the Secretary of the US Treasury, Donald Regan, in the early 1980s. Much of what we call 'development' or 'aid' shares this underlying premise - that countries that are poor have become so due to their own malfeasance. Any help offered by wealthier, developed countries is, therefore, a form of charity - an offer to help even when it is not deserved.

At Jubilee Australia we fundamentally disagree with this premise. Jubilee is not calling for charity, but changes to the economic policies and practices that disadvantage the poor. We believe that the global economy has been structured in a way that is deeply unfair, worsening inequality and poverty in many parts of the world.

Today for millions of people around the world, prospects for a better future - for working infrastructure and effective government services - are quite literally buried under decades of old debts.

How did this happen?

In the 1960s and 70s, developed nations and the international institutions loaned millions upon millions of dollars to countries that quite obviously had no capability of paying them back in the foreseeable future. Publicly, the loans were presented as a means to fast-track development and poverty alleviation. In reality, it was more like political commerce, trying to buy the alliance of commodity rich countries and strategic geopolitical strongholds across the developing world.

As a result, Creditors agreed to give money to administrations and dictators that were known to be corrupt and non-democratic. They put funds behind white elephant projects that were obviously going to bring no benefit to the people of debtor countries, but which were massively profitable for the companies of creditor nations hired to implement the project, and for the corrupt elites in the developing nations who profited from pushing through the bogus, often illegal deals.

When international interest rates shot up in 1979, even paying the interest on these loans became unmanageable.

Since the mid-1980s, the 'debt spiral' has meant that developing countries have been forced to take out fresh loans in order to meet existing debt repayments.

The living conditions of the most deprived people in the world have deteriorated almost everywhere over the last twenty years. Yet wealthy governments and international financial institutions never cease to demand the repayment of external debt.

What can we do to bring justice?



Along with its neighbour, the Philippines, Indonesia's economy is dominated by the spiral of debt - continuous repayments constantly financed by new borrowings. Even with consistent economic growth through the early and mid-2000s, Indonesia remains a country with deep impoverishment, severe inequality and a stifling debt overhang. In 2009, the Indonesian government spent 11 times more to meet debt obligations than it spent on public health, despite the fact half of all Indonesians live in poverty and are unable to afford to pay for medicines and treatment themselves.

Jubilee Australia has been working with groups in Indonesia, including anti-poverty and anti-debt advocates, who want their government to stop repaying old and new foreign loans until a transparent national financial system has been established. They are calling for creditors and donors like Australia to be responsible and accountable for illegal or corrupted financing extended to their government.

Since 2007 we have been shining a spotlight on Australia's loans to Indonesia, in order to establish their legitimacy.

In 2008, Jubilee Australia launched a series of applications under the Freedom of Information (FOI) Act. We sought documents concerning loans to Indonesia that we suspected were illegitimate. We discovered that the details of sovereign debts owed to Australia are secret, even those that are still on the books after more than two decades. The Australian export credit agency, EFIC, relied on its exemption from the FOI Act to refuse us access to over 800 documents identified as relevant to our enquiries.

For the past four years, we have been making the case to the government that the Australian public has a *right to know* whether 'aid' loans made to less-developed countries, such as those made to Indonesia in the 1980s and 90s that are still being repaid today, were made more to serve the interests of Australian exporters than they were to serve the development needs of the recipient countries, and whether or not they involved or facilitated corruption. And likewise, Indonesian citizens who are still living with the burden of these debts have a *right to refuse* to repay the illegal loans contracted by their past dictator and his cronies.

Following our sustained pressure, last year the Government ordered an independent inquiry into Australia's export credit arrangements. The final report of the Productivity Commission Inquiry, released in June, supported Jubilee's position:

"The Australian Government should remove EFIC's special exemption [...] from the Freedom of Information Act 1982 (while retaining protection for Cabinet and commercial-in- confidence material)."

Productivity Commission Final report, June 2012.

We are making progress, breaking the silence, and challenging the secrecy around Australia's lending practices. The fight for more breakthroughs continues.

II. Stop debt vultures - We believe people have the right to resist being the prey of greedy, unscrupulous investors.



Vulture funds are private investment firms that prey on the world's poorest countries. These commercial bankers circle developing countries on the lookout for debts that the country is struggling to repay. Then they swoop down, purchase the debt on the secondary market for a cheap price, and sue the poor country to recover the full value of the debt, plus interest, penalties and legal fees.

In 2007 Vulture Funds hit the UK headlines when Donegal International, an investment firm registered in the tax haven British Virgin Islands, sued Zambia in the British High Court for $55 million, for a debt it had bought for $3.3 million. After campaigner pressure and legal support, Donegal was awarded $15 million - which Zambia had no option but to pay, even though, as pointed out by Presidential Advisor Kalunga- Banda, paying Donegal meant "the treatment, the Medicare, the medicines that would be available to in excess of 100,000 people in the country will not be available."
The insatiable greed of a small number of individuals is undermining international debt relief initiatives. Money that, thanks to debt relief, should be going to lifesaving medicines and schooling, is lining the pockets of wealthy investors instead.

Without legislation to prevent it, these so called 'vulture funds' are free to profiteer from poor country debts in Australian courts. In 2010 one did just that.

Since 2011 Jubilee Australia has been stirring public sentiments with the story of a small New York based private equity firm that earned $32 million by suing the Democratic Republic of Congo in an Australian Court. Following the successful campaigning of Jubilee UK, which resulted in landmark legislation, we want the Australian Government to follow suit and outlaw this vulture fund activity in Australia.

Thousands of Australians have sent "Stop Debt Vulture"postcards to their member of Parliament since the beginning of this year, such that when Jubilee's staff arrived at Parliament House in July 2012 to have face-to-face discussions, we found the support of many MPs and Senators right across the political spectrum.

Following the campaigning, Independent Member Rob Oakeshott moved a motion in the House of Representatives, seconded by Labor MP Melissa Parke, supporting our campaign and calling upon the federal government to act.

As of December 2012, the Government had committed to formally investigate the feasibility of drafting and enacting anti-vulture fund legislation.

We are thrilled with this success to date and continue to work toward our ultimate goal - the enactment of legislation to close the legal loophole which currently allows vulture funds to unconscionably profiteer off the indebtedness of developing country's in Australian courts.

III. Put *limits* on Corporate Mining - We believe people have the right to say *no* to socially and environmentally harmful projects on their land.

While theoretically, a country's natural wealth in underground minerals should provide a large economic boost, in reality the opposite has proved to be true - the economies of developing countries rich in natural resources have, almost without exception, grown at a slower rate than the economies of those countries that are natural resource- scarce. This phenomenon has become known as the 'resource curse'.

Furthermore, time and time again, these projects fail to live up to their lavish projections. The scale, complexity and the deep impact on local communities means that when they go wrong - and they do go wrong - they change the lives of people forever.





(Abandoned mine equipment, PNG)

What can we do to bring justice?

In December 2012 Jubilee Australia released a lengthy investigative report, Pipe Dreams. It is the most extensive independent analysis to date of the 'official' projections made by those with power, about the $19 billion ExxonMobil led deal to extract gas from Papua New Guinea's Southern Highlands.

PNG LNG is a liquefied natural gas scheme backed by the largest project finance deal ever made, including an Australian export credit loan of US $350 million. It has been hailed as a catalyst for PNG's economic transformation. But our research casts doubt over the overly positive predictions, suggesting that in some cases they may simply be 'pipe dreams'.

Our findings raise concerns that the Australian Government, by investing taxpayer funds into the massive Project, has placed already vulnerable Papua New Guineans at even greater risk, in order to prop up the balance sheets of private Australian corporations.

> *“Many community leaders have gone on record making public threats against the Project and its workers if they do not get what they want, and informants say that weapons are being smuggled into the region in preparation for violent conflict if expectations are not met.*
>
> *[...] The project proponents and financiers, including the Australian Government, were warned about these possibilities many times, and yet they backed the project anyway.”*
>
> Luke Fletcher, Jubilee Australia Research Director

Here's one email we received soon after its December publication:

> *"May I take this opportunity on behalf of the grass roots, the no-hopers in a nation so blessed with much yet very poor, to pay my deepest gratitude for the report your organization so professionally carried out. Never have I or many of our like minded PNG nationals read a report so true to the real situation. You have put together what we ourselves would have loved to do but did not have the capacity in order to announce to the world at large the predicament of a nation.*
>
> *[...] I'm one of those concerned Papua New Guineans searching for answers and will continue to search for answers until a solution is found to make right what is wrong. We are as your report correctly state, in a hopeless situation unless action is taken in some way by some caring, like minded from within and outside of PNG.”*

Since the launch of its previous report Risky Business in December 2009, the same month the Rudd Government announced it would extend the largest ever export credit loan to support the LNG project, Jubilee Australia has been successfully putting Australia’s Export Finance and Insurance Corporation (EFIC), and the financial support it gives to Australian mining, oil and gas companies, under the spotlight.