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## The International Debt

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## THE INTERNATIONAL DEBT

Pope John Paul II has given special attention to the question of international debt in *Tertio Millennio Adveniente* and in the Bull *Incarnationis Mysterium*. The Holy Father states that “the Jubilee should be an auspicious moment to reestablish social justice and the rights of the poorest.” Often, what oppresses poor countries most is their international debt, which weighs heavily on the population and makes improvement in the standard of living impossible.

In fact, to make payments on debts contracted with richer countries and with multinational creditors such as the World Bank and the International Monetary Fund (IMF), the poorest countries make use of monies necessary for the social and economic development of their people.

In December 1998, the *Social Commission of the Episcopal Conference* in France published a document on the external debt of poor countries, accompanied by a petition directed to creditor nations asking for the remission of the debt from then until 2000. Many other episcopal conferences have taken up the same theme.

### THE FACTS

Analyzing the table shown here, taken from data gathered by the World Bank, we get a more exact picture of how international debt cuts into the economy of the poorest countries. The percentages refer to the external debt in relation to the Gross Domestic Product. Such percentages are sometimes higher than the income produced in a year, making it impossible for the countries in question to meet payments on their debt. As a consequence, development in these countries grinds to a halt, because they must direct all their resources to resolving the problem of international debt (cf. *Tertio Millennio Adveniente*).

The debt is not the ultimate problem: rather, the resultant poverty of the masses is. The debt drowns peoples in their own poverty, paralyzing all the effort to rise above it. Almost half of humanity has to live on less than \$1.60 a day. The richest 20% have 83% of the world's wealth, while the poorest 20% have 1.4% of the world's wealth. In that context, the Program for Development of the United Nations (PDUN) estimates that governments below the Sahara transfer to creditors from the North four times what they spend for the health of their residents (*Informe para el Desarrollo Humano*, 1997).

In Cameroon, the external debt has grown from \$4.3 billion in 1987 to \$9.3 billion in 1995; that is, in eight years the debt has more than doubled. Half of what the government of Cameroon earns is used to pay the external debt, more than double what is budgeted for education and health combined!

## ANALYSIS OF THE FACTS

Increasing indebtedness strangles the economies of the countries affected, blocking their growth and wreaking grave social consequences in regard to prices, employment, and health. On a worldwide level, the accumulation of debt oscillates between \$100 billion and \$200 billion, and, in the opinion of international financial organizations, is for the most part unpayable, given the financial condition of the debtors, and given that the money lent to these countries has not been directed toward activities producing revenues sufficient to pay off the debt. Government officials in countries that received the money bear great responsibility for the problem. Money has often been diverted into personal accounts, used for buying weapons, or allotted to projects that were ill- conceived and would earn little.

However, the responsibility of lenders in richer countries is also great. In 1970, with the great rise in the price of petroleum, the large international banks, seeing considerable sums of money flowing into their coffers, agreed to lend money to poor countries without worrying about the solvency of the debtors. Moreover, government officials, in order to be able to export goods and to safeguard jobs, agreed. In addition, they assented to lending money to finance basic infrastructures (roads, hospitals, schools, etc.), even though these structures should have been financed by grants because they would generate no income.

When a country can no longer make good on its payments, the international community, represented by the International Monetary Fund (IMF), the World Bank, and the club of creditor countries (Club de Paris), permits a delay in the payment schedule. As a condition, the country must accept a *severe austerity plan*, whose purpose is to lower inflation, reduce public spending, and liberalize commercial exchange. The politics of this approach includes devaluation of the national currency, an increase in the rate of interest, an increase in taxes to increase government income and balance the budget, the suppression of restrictions on business and on the flow of capital so as to stimulate local and foreign investment. Agricultural and industrial production change direction; the focus shifts from food products and basic goods for domestic use to merchandise for export. Since the poor country must use a large part of the profits from its exports to pay back the debt, it can no longer buy needed goods from foreign countries, neither medicines nor parts necessary to repair machines. It ends up working to pay solely the interest on a capital sum impossible to pay back.

As Oxfam International affirms in its bulletin of April, 1997, *Poor Country Debt Relief*, "Payments on the debt have meant hospitals without medicines, schools without basic teams for teaching, and the collapse of services for agricultural expansion for many millions of families in rural areas. The consequence is that these people are unable to maintain normal levels of health and nutrition." The percentages of malnutrition and infant mortality are growing in many countries, and an entire generation of children is losing the possibility of getting an education. The obligation to keep making payments on the debt also means that help which comes from other countries is often used in turn to refinance

payments on the debt, rather than to improve sanitation, education, and other social services. The sad truth is that the weakest members of society are at risk — the young who need education, the sick who need medical services, the poor who need work. Through no fault of their own they pay the greatest price.

Looking at the financial side, deep indebtedness is a signal to the worldwide financial community that a country is an investment risk, that it is not willing to or is incapable of paying its debts. As a result, such countries are excluded from international financial markets, or must pay more for credit.

A tempting way for a country to obtain higher, quicker revenues is to exploit its own land and its natural resources. Farmers live under pressure to produce more food on small pieces of land. Frequently, they use expensive chemical fertilizers that weaken the soil and poison the environment. Fish reserves are destroyed by excessive fishing. Frequently, forests are cut down by national or multinational corporations, with the resultant displacement of local populations. These facts have global repercussions in rich countries as well: deteriorating conditions in nearby countries, migration, and illegal drugs.

## CHRISTIAN TRADITION

To the extent that international debt contributes to the suffering of the poorest, it stands in contradiction to Catholic teaching about the life and dignity of the human person.

Leviticus 25 describes the Jubilee as a *year of grace* celebrated every fifty years to “free the slaves, pardon debts, and allow each one to regain his own land.” The fundamental theme of the Jubilee is that a loving God has made the earth for everyone and that each person has the right to live on it with dignity. The Jubilee reestablishes just relations within society.

Cardinal Etchegaray, whom Pope John Paul II placed in charge of the preparations for the Jubilee, states: “The year 2000 must be a loud call to conversion and to commitment, including commitment on the political and social level. It is a time for reestablishing the rights of the poor and the marginalized so that they can enjoy the earth and its benefits as the Lord’s gift to each and every one of his children.”

As in the time of the people of Israel, today too the burden of debt falls on the poorest. To remit debts is one of the means to remedy a situation which is intolerable: the ever-deepening misery and exclusion of the poor.

Linking this biblical concept to the new millennium, Pope John Paul II affirms: “Christians should be a voice for all the poor of the world, proposing the Jubilee as an opportune moment to consider, among other things, a notable reduction, if not a total

wiping out, of the international debt that weighs down the future of many nations” (*Tertio Millennio Adveniente*, 51).

No boundary counts, whether geographical, cultural, or religious, when one is dealing with human dignity. This is one of the great lessons of the parable of the Good Samaritan: I do not have to define “who is my neighbor”; rather I am invited to make myself “neighbor” to everyone I meet who is in need.

Whoever wishes to enter into the logic of the Jubilee is called to turn his attention to the victims of poverty. For the Church, charity walks hand in hand with justice and expresses itself in solidarity and brotherhood. Christians are called to commit themselves concretely to struggle against the terrible afflictions that burden their brothers and sisters: unemployment, hunger, segregation, and slavery in all its forms.

The Secretary General of the Great Jubilee, Archbishop Crescenzo Sepe, speaks of an “urgent need for reconciliation between the world of the rich and of the poor” that must “manifest itself in concrete ways of acting and in an efficacious search to overcome and eliminate the mechanisms and structures of injustice and inequality.”

We recognize, as members of the Congregation of the Mission, how important collaboration is in the service of the poor. The prophetic teaching of St. Vincent de Paul that the poor are our “lords and masters” comes alive for us again as we enter the new millennium. In the same way, the growing rift between rich and poor speaks to us with new urgency. In the General Assembly of 1998 we resolved, together with other members of the Vincentian Family, to work toward the cancellation or reduction of the international debt of poor countries as we commemorate the Jubilee Year. This commitment flows from a desire to understand the evangelical maxims more deeply and make them real in our lives.

## CONCLUSION

Recognizing that it was impossible for many poor countries to make headway on their debt, in 1996 the World Bank and the International Monetary Fund worked out a plan to reduce the debt. The program, “Heavily Indebted Poor Countries” (HIPC), attempts to reduce the debt to a sustainable level in the poorest nations. However, the help offered often arrives too late and to too few countries.

Two international networks, CIDSE (International Cooperation for Development and Solidarity) and CI (Caritas International) are working together to free poor countries from unpayable debts. To reach this objective they advocate:

1. making the program of HIPC more effective:
2. linking the cancellation of debt with investment in human development;

3. guaranteeing that decisions about help in reducing the debt be made in a transparent manner. The governments and the international financial institutions must share information concerning exactly how help will be used to alleviate the burden of the debt and what conditions are necessary for such help; it is important to create a dialogue between citizen groups and governments about priorities in the national budget.
4. changing the structure of international financial relationships to assure that debtors and creditors work together as equals in negotiations over the debt.

Besides CIDSE and CI, other organizations such as the United States Catholic Conference and Bread for the World state that international debt is the principal cause of poverty and threatens the development of people in the most impoverished countries of the world. They urge that cancellation of the debt be used as a means to free resources for investment in human development along paths that are appropriate to each country. This presupposes a context in which people are free to speak and to be heard, in order to assure that the social and economic reforms adopted are efficacious means for the reduction of poverty and the protection of the environment.

The initiative of the Catholic Church in Italy to reduce the foreign debt of poor countries has two precise objectives: 1) to collect by 2001 a sum of 100 billion lira (54 million dollars) to finance projects for several African countries; 2) to have the Italian government take on the debt contracted by two African countries, so as to wipe out their indebtedness completely.

These initiatives have been described by Bishop Ennio Antonelli, Secretary General of the Italian Episcopal Conference, as a “grand gesture of solidarity” that has three fundamental moments: *“collecting donations until 2001; the Italian government’s assuming the debt contracted by two poor countries with Italy; financing an equivalent sum for local development projects in those countries.”*

The French Bishops, in a document published in view of the Jubilee, indicate four immediate objectives:

- X Annul in 2000 the part of the debt that everyone recognizes as unpayable (\$100 billion). This figure is no higher than the amount given recently to some Asian countries to prevent their economic crisis from having a negative impact on the rest of the world.
- X Negotiate new rules of financing in order to avoid excessive indebtedness in the future.
- X Set up in the United Nations a Council of Mediation as the place to do future negotiating regarding debts.

- X Foster public contributions for social expenditures in poor countries, especially in the areas of education and health.

Each of us can help raise consciousness about the damage created by international debt and encourage others to contribute in an active way to various campaigns within our own countries.

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Questions for discussion by the confreres:

1. What is your own personal reaction to contemporary Church teaching on the international debt as described in the writings of Pope John Paul II and the documents of various bishops' conferences?
2. Do you teach or preach about this teaching? If so, what do you say or what method do you use? If not, what might you do?

(Translator: Robert J. Stone, C.M.)