# A Tale of Two Tsunamis

## Gordon Brown, the 'G-8' and World Poverty

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*"We are here because you have destroyed our countries"*

- banner of 'Voice of the Voiceless': young African, Asian and Latin American migrant workers who staged a hunger strike at the G-7 Köln summit in 1999, denouncing German and G-7 criminalisation of refugees and asylum seekers.

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## *Glossary*

| | |
|---|---|
| BIS | Bank of International Settlements |
| CfA | Commission for Africa |
| EFA | Education for All |
| FT | Financial Times |
| HIPC | Heavily-Indebted Poor Country |
| IFF | International Financial Facility |
| IFI | International Financial Institution (e.g. IMF, World Bank) |
| IMF | International Monetary Fund |
| MDG | Millennium Development Goal |
| NPV | Net Present Value |
| OECD | Organisation of Economic Cooperation and Development.[1] |
| ODA | overseas development assistance, a.k.a. 'aid'. |
| ODI | Overseas Development Institute, part of the UK's Foreign & Commonwealth Office |
| PRSP | Poverty Reduction Strategy Paper. |
| TNC | Trans-National Corporation |
| TWD | Third World debt |
| UNCTAD | United Nations Conference on Trade and Development |
| UNDP | United Nations Development Programme |
| UNESCO | United Nations Educational Scientific and Cultural Organisation |
| UNICEF | United Nations Children's Fund |
| WDM | World Development Movement |

## *Introduction*

Gordon Brown, speaking to the US Federal Reserve in 2001[2]:

*"[M]arkets; the pivotal role of private capital; and…private - not just public - investments are crucial to making global economic development work in the interests of the excluded…"*

Anyone disputing this holds

*"… extreme views that cannot, and never should be, accommodated"*

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This article is loosely structured around Gordon Brown's keynote address to an invited audience of dignitaries and anti-debt campaigners on January 6, 2005, in which he formally presented his government's 'development' agenda in advance of the July 2005 G-8 summit in Scotland.

Gordon Brown's ascent to office eight years before coincided with the most severe economic crisis to hit Southern regions during the 1990s – the 1997-8 'Asian contagion', a financial tsunami which swept across SE Asian economies, leaving currency collapses and banking crashes in its wake.

A terrible symmetry was created by the real tsunami which, eleven days before Brown's speech, ravaged Indian Ocean coastlines. Despite their different proximate causes, both tsunamis were social disasters which threw into sharp relief the relations of power and exploitation which bind the peoples of underdeveloped countries in poverty. Both times, structures cracked along fault lines, raising one side and casting down the other. On both occasions Indonesia was the worst-affected country. And both crises presented major challenges and dangers for world leaders and IFIs.

However, the first, unsuccessful, IMF-led bail-out of S Korea in 1997 cost $57bn.[3] The Indonesian government spent $83bn restoring solvency to its nation's banks – mostly borrowed from the same Indonesian capitalists who, at the height of the crisis, had decapitalised these banks and taken their wealth 'offshore'. Each of these items, drawn from a longer list, dwarfs the $7bn[4] pledged by all the world's governments, IFIs and citizenry to the victims of the Boxing Day tsunami.

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The central rôle of the City of London in world financial markets; the gigantic private wealth of Britons, second only to the US in the size of their stock of overseas assets; and the 'special relationship' between London and Washington all serve to enhance the power of Gordon Brown on the world stage.

Since his appointment as finance minister after Labour's election victory in 1997, Brown has helped shape and implement International Monetary Fund (IMF) and 'G-8'[5] policy towards the 'developing world', a rôle confirmed by his elevation in September 1999 to Chairman of the IMF's key 'International Monetary and Financial Committee'. The IMF policy, or rather the doctrine to which all policy must conform (known by the antiseptic term *'neo-liberalism'*) is, without putting too fine a point on it, dictated by the government of the United States and its G-7 partners.

Given the huge expansion of world trade and of FDI in 'developing nations', the fruits of two decades of neo-liberal reform are shockingly meagre. A 1999 UN report commented that

> *"after more than a decade of liberal reforms in developing countries, their payments disorders… remain as acute as ever, and their economies depend even more on external financial resources for the achievement of growth rates sufficient to tackle the deep-rooted problems of poverty and underdevelopment"*[6]

This year (2005), the World Bank reported scant progress:

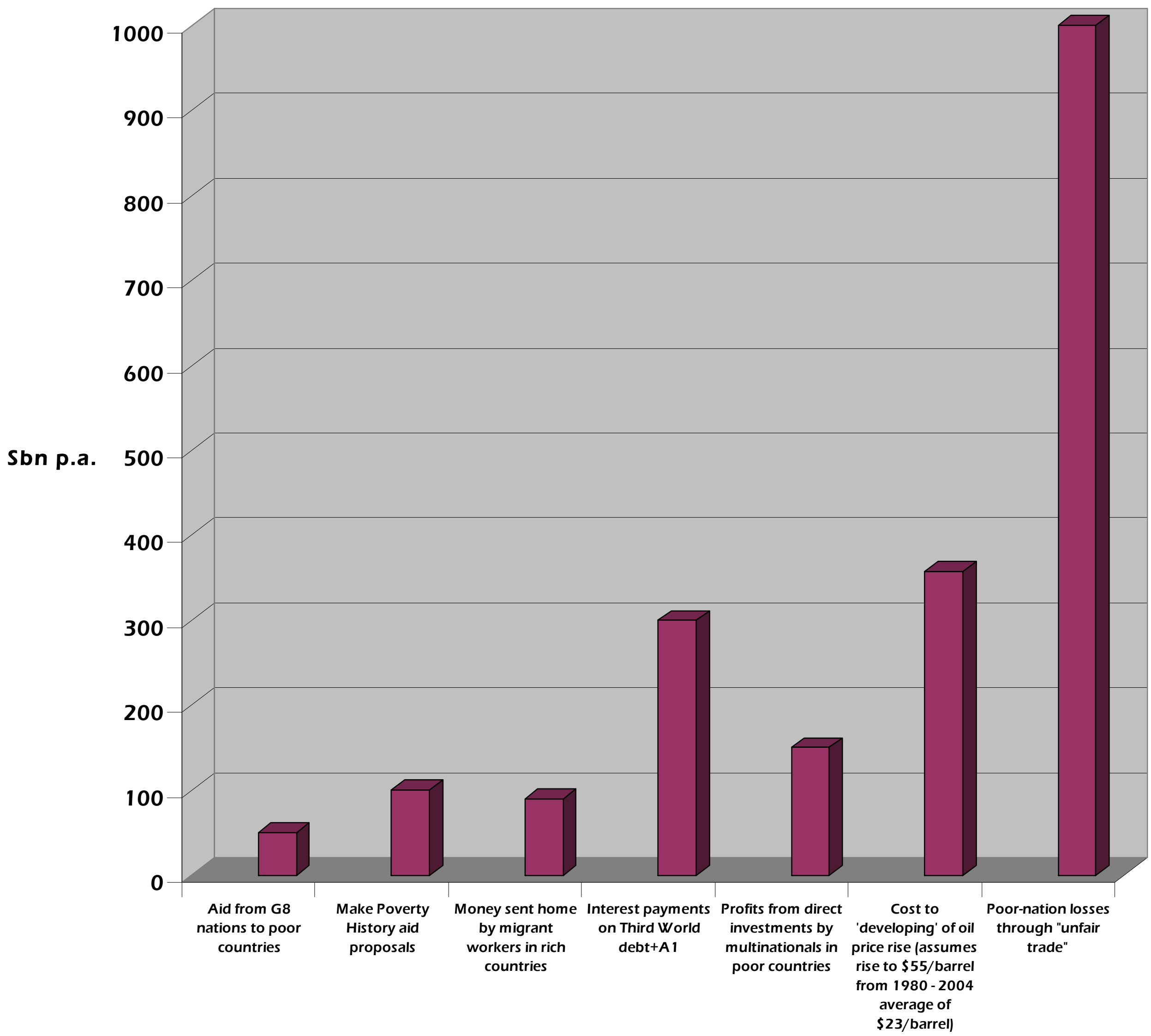
> *"Regrettably, only about one-third of developing and transition countries have grown at more than 2 percent per capita for the past decade."*[7]

While working hard to impose neo-liberal policies on the rest of the planet and to advance the interests of Britain's banks and bondholders, Gordon Brown poses as a foremost advocate of debt reduction and poverty relief, winning accolades from liberal newspapers and many anti-debt campaigners. Bono, rock star icon of the Jubilee 2000 campaign, told the 2004 Labour

**Who is 'aiding' who?**

**Aid and profit flows between 'developed' and 'developing' countries**

**(for the various sources, see text)**



Party Conference that Brown and Blair are "*the John [Lennon] and Paul [McCartney] of the global development stage*", urging them to *"finish what they started"* and *"end world poverty"*.[8]

Gordon Brown's astonishing success in combining the two antithetical roles of debt enforcer and 'debt liberator' is a bravura performance of the politicians' art of spin and deception. It is for others to decide where Gordon Brown should be placed on the scale of sincerity to mendacity. Such a task is beyond me; I can't fathom the precise mix of cynicism and self-deception involved in his 'debt liberator' persona. In any case, the question is best put to one side: it is the content of Gordon Brown's actions and not his psychological processes that provides the criteria we need to make judgments.

Accordingly, this article considers Brown's policies towards 'the poorest countries' (who account for just 5% of 'developing nations' debts) in the context of his policy towards all the other indebted nations, those who are not being considered for debt relief yet who are home to four-fifths of those living on less than $1 a day.

As the finance minister of the second-largest source of foreign direct investment (FDI), Gordon Brown is responsible for protecting and advancing these investors' interests. This article does not examine FDI in detail or evaluate the type of 'development' which it is producing. It instead stresses that public policy, as executed by Gordon Brown and other G7 leaders, is fundamentally aimed at removing all obstacles and restrictions in its way. It is necessary to bear in mind, therefore, that the total stock of FDI in 'developing countries' reached $2.34tr in 2002, from $921bn in 1995. It is growing both absolutely and relative to the size of the economies of the host nations. Between 1995 and 1999, the fastest years of expansion, FDI stock in 'developing nations' grew from 13% to 28% of their gross domestic product (GDP).

Most significant of all, the flow of repatriated profits of $150-200bn p.a. from this growing stock of FDI now exceeds new investment flows. As the stock of FDI grows, so the one-way flow of profits can be expected to increase further, undermining not just national sovereignty, as more and more of the poor nations' economies become the private property of western investors, but also their balance of payments.

The section on trade issues is, given its importance, very brief; it limits itself to presenting the results of a more detailed study, allowing the G7's pusillanimous aid flows and debt relief to compared against losses through declining terms of trade.

A more detailed consideration of FDI and trade would only serve to reinforce the central findings of this article, much of which are founded on an examination of that most eloquent of phenomena, *debt*.

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Each plank in the raft of proposals launched by Brown on January 6 provides a point of departure for a discussion of one or another aspect of the triangular relationship between Gordon Brown, private western capital, and the world's poor.

Its central thesis: *it is in the relationship between the G-7 governments and the IFIs under their control on the one hand, and private western capital on the other – what we might call the 'public-private partnership writ large' – that the essence of Gordon Brown's role is to be found.*

'Public-private partnership' is a euphemism, useful for sophistry and little else. But it refers to a determining factor in every dimension and manifestation of G-7 policy towards the 'developing nations'. For instance, the most important of the many conditions attached to Heavily-Indebted Poor Country (HIPC) debt relief, and the one to which all policy is turned, was spelled out in point two of the June 11, 2005 'G8 Finance Ministers' Conclusions on Development', which makes debt relief conditional on *"the elimination of impediments to private investment, both domestic and foreign."*

This article is unconcerned either by government-state relations or by intra-governmental power politics. 'Brown's policies' are considered to be *synonymous* with those of Tony Blair and of civil servants like Sir Edward George, the Governor of the Bank of England, and Tom Scholar, Britain's representative on the IMF's Executive Committee (Britain occupies one of five permanent seats on this body). This article, in short, is not interested in Brown the man, but in Brown the front-man.

Despite deepening rivalry between the G-7 governments over other issues, their united front against the debtor nations remains remarkably solid and durable, when seen in perspective, as we attempt to do here. The differences between G7 governments, as for instance expressed in negotiations before their 2005 summit, are mere nuances, the intersection of inter-imperialist rivalry and of their various attempts to deceive domestic public opinion. This article is more interested in the very large degree of consensus between them; unless otherwise stated, 'Brown's policies' can be taken to mean the policies of the rich nations and of the IFIs under their control.

## *Tsunami 2*

> *"We have been humbled by… the awesome power of nature to destroy [and] the extraordinary power of human compassion to build anew… for afflicted countries that request it, we and other Governments are proposing an immediate moratorium on debt repayments…*

So Gordon Brown began his January 6, providing a good example of his *modus operandi*. A moratorium sounds generous – until you realise it offers to *postpone* payments on *public* debt, nothing more. An FT editorial commented that

> *"simply [to] defer payments – effectively putting Indonesia in arrears – leaves the country facing a roughly $12bn bill when the three-year moratorium is up."* [9]

Had it been accepted, the moratorium would have diverted funds from public debt servicing towards reconstruction, allowing governments to service their private creditors without interruption. The tsunami-affected nations spurned this generosity, for reasons expressed by Hassan Wirajuda, Indonesia's foreign minister:

> *"From the very beginning we didn't ask (for a moratorium), it was offered to us… we're sensitive (about a moratorium) as we have a good record of paying our debts and are cautious that the offer (could) affect our good standing in the markets, especially as we now try to attract more foreign investment."* [10]

Indonesia owes more than half ($67bn) of its total $132bn external debt to private banks and bondholders. $42.6bn of Thailand's $59.2bn total debt is owed to private investors, while India owes them $54.5bn of its $105bn total debt. Sri Lanka owes $10bn, three-quarters of it to public bodies. What's more, these loans are significantly more expensive than IMF credit, increasing still further their relative weight within the overall debt burden.

Throughout this crisis, neither Gordon Brown nor the mass media mentioned the debt owed to private creditors. They, and their debt, vanished from view. Thus Indonesia's real *annual* debt servicing bill, $6.5bn(!), was slimmed down to the $3bn due to governments and IFIs. Private western creditors of tsunami-affected countries were thereby shielded from calls to defer their interest payments, or in any other way to join in the huge wave *"that move[d] human beings even in the most comfortable places to sympathy and solidarity with fellow human beings,"* as Gordon Brown put it on January 6.

Lex Rieffel, "visiting fellow at the Brookings Institution," explained the rationale behind this policy:

> *"emerging market countries are increasingly dependent on private capital flows to fuel their economic growth…. Forcing Indonesia, Sri Lanka, and other tsunami-stricken countries to seek comparable debt relief from their commercial creditors will limit the private financing they will be able to attract for several years at least, and will raise the cost of borrowing for most if not all other emerging market borrowers. … Debt relief for tsunami-impacted countries is good medicine. Insisting on comparable relief from private creditors, however, would be like mixing aspirin and antifreeze. …"*[11]

The worlds of private accumulation and public morality inhabit different universes. As Rieffel points out,

> *"unlike government aid and export credit agencies, commercial banks and bondholders do not lend for political or humanitarian reasons."*

Rieffel combines realism about the private sector with naïveté about government, whose aid and credit policies are strongly influenced by, and in the final analysis are subordinate to, the interests of private sector investors. On January 6, however, Brown was far more optimistic:

> *"Even if we are… differentiated by wealth and income… [our] shared moral sense… makes us recognise our duty to others."*

Despite this and many similar pronouncements by other G7 leaders, their over-riding concern was to protect 'the markets' from the effects of the tsunami. They had little choice. Any suggestion that private investors should dip their hands into their pockets would upset the delicate risk *vs.* profit balance, sending interest rates sharply upward for *all* 'emerging nations'. The interests of wealthy private investors must be guaranteed, their fears placated… otherwise a different type of tsunami would have ensued. And far greater financial losses would have resulted – the thousands of destroyed towns and villages, and the expendable human beings who lived in them, are 'worth' far less than the potential losses in the value of *pieces of paper.*

In what it reveals about the relations between Indonesia and its imperialist 'creditors', i.e. owners, the tsunami is both a microcosm and a metaphor.

In it, we see a repeat performance of the biggest scam of all – the relation between the IMF and other 'public bodies' on the one hand, and the private interests congregated in Wall Street and the City of London on the other. Adam Lerrick, writing in the Financial Times[12] (exclamation marks are mine):

> *"Official-sector loans are a gift to developing nations and their private lenders[!]. The IMF regularly lends at subsidised interest rates 5 to 10 percentage points below what the private sector charges. … This renewable stream of artificially cheap financing translates into debt reduction by the official sector…"*

But this flow is drying up:

*"…Time was when the fund used to move in … set the conditions …, divided the spoils and bailed out the process by rolling over old loans and providing new funds that found their way into the accounts of private creditors[!]. But today's more austere IMF will not supply extra financing to solve default.*

The last line is the most important, registering the changes wrought by the Mexican 'tequila' crisis of 1994-5, the 1997-8 Asia crisis and subsequent crises in Brazil, Russia and Argentina. It signifies the IMF is no longer able or willing to play the rôle of 'lender of last resort'.[13] Its rudder is broken and now it, too, is adrift. If the International Financial Institutions (IFIs) cease to be a source of finance for 'developing nations', on concessional or any terms, the incentive for debtors to give repayments to the IMF priority over others debts is removed. Lerrick continues:

*"The IMF prides itself on the fact that there has never been a default on its books. But as over-borrowed nations become unable or unwilling to honour their promises to pay… the IMF's senior status and its balance sheet [is] in jeopardy."*

The problem is essentially this: even the IMF, World Bank and the G7 governments don't actually own that much. The serious money is in private hands. Lex Rieffel reports that

*"Over the past 15 years, private lenders and investors have provided more than 90 per cent of the net capital flows to the big borrowing countries. Since 1998 …borrowing countries have been making net repayments to institutions such as the IMF, the World Bank and Paris Club creditors. In 2004, net private flows were in the order of $226bn against $20bn of net repayments to official institutions.."* [14]

## *Tsunami 1*

The 'public-private partnership' between imperialist governments and their private investors, fleetingly revealed by the Boxing Day tsunami, was laid bare during the crisis of 1997-8. The IMF's $57bn 'rescue package' for S Korea was insufficient to avert a currency collapse, banking crisis and a 10% fall in GDP. The $33bn 'rescue' for Indonesia and $17bn for Thailand similarly failed, as did later 'rescues' in Russia and Brazil. However, each was spectacularly successful in enabling private western banks and bondholders to withdraw their wealth and ship it abroad. They

*"got away with murder. They had… injected billions of dollars in short-term loans… yet they were suffering no losses"* [15]

*Only they* were rescued, not local business bankrupted by their actions and still less the workers and farmers of the affected countries – real wages fell by 40% in Indonesia, whose external debt rose from 26% of GDP in 1996 to 110% in 1999. [16]

And who were the brave rescuers who saved the rich and left everyone else to fend for themselves? None other than Gordon Brown and the other G7 finance ministers. Gavyn Davies commented,

*"…the allocation of IMF funds to [South] Korea last year… bail[ed] out the western banking system… this transfer from the taxpayer to the bank shareholder almost certainly implies gains by the rich at the expense of the poor… perhaps why*

*governments are generally at pains to disguise these effects".* [17]

Apart from pumping colossal quantities of public money into private bank accounts, IMF-led 'rescues' were also notable for enforcing pro-cyclical, recession-deepening policies, such as sky-high interest rates (to entice foreign capital to stay or return) and sharp cuts in subsidies, social spending, and other policies designed to compress the purchasing power of those who produce all this misappropriated wealth. This is in radical contrast to the counter-cyclical, pump-priming policies universally adopted to stave off recession in the imperialist economies. As the Financial Times editorialised after the 1994 collapse of the Mexican peso,

*"devaluations improve a country's competitive position by bringing about a reduction in real wages … there have been few strikes, and four-fifths of pay settlements have not exceeded 7.5 per cent, compared with officially forecast inflation of 42 per cent this year."*

The IMF's brutal policies provoked a chorus of criticism, most notably from former World Bank chief economist and Nobel laureate Joseph Stiglitz, speaking here of South Korea:

*"high interest rates increased the number of firms in distress… this weakened the banks further. The increased stress in [both] sectors exacerbated the downturn that the contractionary policies were inducing. The IMF had engineered a simultaneous contraction in aggregate demand and supply."*[18]

But these policies had an obvious rationale – each is designed to serve the interests of private western capital, regardless of the consequences for the host population. Following the crash, private investors and domestic 'flight capitalists' returned for some so-called 'bottom-fishing', buying up the choicest parts of bankrupt companies with dollars now worth twice as much or more. Ellen Frank hit the nail on the head:

*"For the Western financial establishment… the devastated economies of Asia [are not] an unfortunate side-effect of a financial scam. They are the whole point of the game. Asia's bankrupt businesses, insolvent banks and jobless millions are the spoils of … 'financial warfare'."* [19]

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*The 1997-8 crisis was a turning-point. Using G-7 taxes to bail out G-7 tycoons created moral hazard of the most dangerous kind, encouraging destabilising flows of hot money without regard to risk. This forced a major policy shift, in which Britain and Brown were deeply implicated. Henceforth, debt-distressed nations would be 'permitted' to default, so signalling to private investors that they would no longer be indemnified against losses. The policy was adopted at the G7's Köln summit; in the words of its communiqué, "we need to shape expectations so that private creditors know that they will bear the consequences of their investment decisions."*

This policy was applied haltingly at first, against *"powerless countries like Ecuador and Romania, too weak to resist the IMF"*[20], but during the $41.5bn bail-out of Brazil in November 1998, *"the private sector …contributed nothing"*[21] The IMF backed off because *"the prospect that private sector banks might be forced to contribute could encourage them to head for the exits."*[22] The Financial Times' Lex column summed up this, the last of the bailouts, in a single sentence: *"US and European banks with Brazilian exposure have effectively won a get out of jail free card."*[23]

And so, the Rubicon was crossed in Ecuador, not Brazil:

> *"For the first time in its 55-year existence, the IMF is acquiescing in a country's decision to default on its debts..."*[24]

The 1997-8 crisis prompted a major reorganisation and refocusing of the IMF and other IFIs. Since those traumatic events, Gordon Brown has played a central role in efforts to erect a 'New Financial Architecture', premised on 'transparency', and on the institutional separation of the IMF's functions of oversight and policy intervention.

The 'transparency' discourse reveals real power relations: IFIs and governments, rich and poor, must be 'transparent' to private capital… but *their* decisions and actions are those of private citizens, disposing of their property as they see fit, and as entitled to privacy as you or I.

## *MDGs and Marshall Plans*

Gordon Brown's master-class in the art of spin largely succeeded in passing off a policy designed to protect western investors from the effects of the tsunami as an expression of compassion for its victims, and helped the UK government to recover its some of its moral legitimacy, sullied by the invasion of Iraq.

Brown's moratorium proposal achieved several important goals: he pre-empted calls for debt cancellation; he distracted attention from the real debt crisis, the $2.5tr+ owed by poor nations to private creditors; and he made full use of the opportunity to grandstand as a compassionate politician driven by deep moral principles.

Having tamed the tsunami, Brown introduced two major themes – the Millennium Development Goals (MDGs), adopted by the United Nations Millennium Summit in September 2000 (*"Target 1: reduce by half the proportion of people living on less than a dollar a day"*)[25]; and, to achieve them, a new 'Marshall Plan' *"for the entire developing world"*.

He sounded the alarm about the receding hopes of achieving the MDGs:

> *"The Millennium Development Goals were not a casual commitment. Every world leader signed up. Every international body signed up. Almost every single country signed up. The world in unison … rights and responsibilities accepted by rich and poor alike. But already, so close to the start of our journey to 2015, it is clear that our destination risks becoming out of reach, receding into the distance."*

He continued *"the first [MDG] commitment… primary education for all… will be delivered not in 2015 but 2130."*[26] However, Britain's support for this development goal has been minimal. Despite ODI estimates[27] that up to $30bn p.a. is required to meet this target, Britain's contribution to EFA, the UN body coordinating this international effort, is included within its £15m annual UNESCO contribution.[28]

Brown's solution to the funding problem is to *"ensure that all HIPCs get debt relief so they can finance the development of their health and education systems".* This sounds good, but it also sounds glib. A World Bank audit of this and other policy objectives gave a damning verdict:

> *"…the Enhanced HIPC's requirement that countries allocate "savings" from debt relief to public expenditures in the social sectors did not contribute to a comprehensive or*

*sustainable approach to poverty reduction..."* [29]

To achieve the MDGs, said Brown, a new 'Marshall Plan' is needed, with

> *"…three essential elements: …that we take the final historic step in delivering full debt relief for the debt burdened countries…that we deliver the first world trade round in history that benefits the poorest countries … and that we implement a new international finance facility… effectively doubling aid to halve poverty."*

To evaluate the substance of Brown's call for a new 'Marshall Plan' we need to examine its "three essential elements".

## *Debt duplicity*

> *"Conditions, set by faceless and unaccountable civil servants in Washington… undermine democratic accountability in indebted nations, and effectively transfer power away from political capitals in Africa to Washington…This is a modern form of economic bondage, a form of neo-colonialism …."* [30]

Archbishop Ndungane of Cape Town, South Africa, one of Jubilee 2000's patrons, explaining why the G-7's 1999 agreement on debt relief, whose implementation they are still discussing in 2005, is not a "step in the right direction".

### *HIPC debt relief*

Gordon Brown on January 6:

> *"people weighed down by the burden of debts imposed by the last generation… cannot even begin to build for the next generation… To insist on the payment of these debts is unjust – it offends human dignity."*

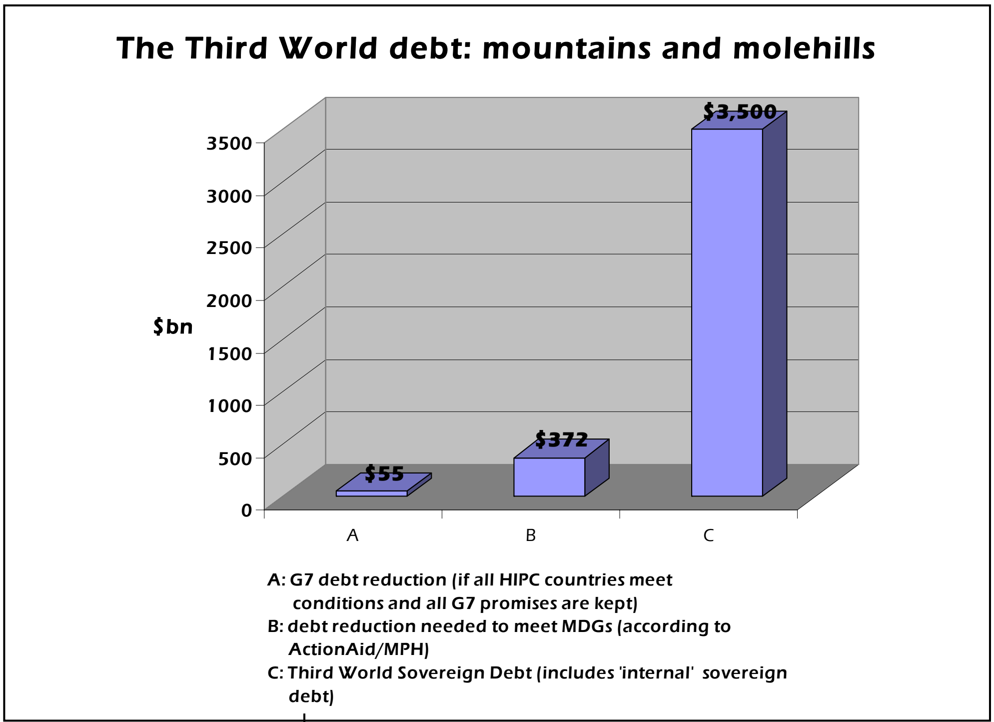
Fine words. But exactly who from the 'last generation' imposed these debts? Who is still profiting from them? And don't Brown's words also apply to all other debtor nations, Brazil, for instance, which pays a billion dollars a month in debt-servicing yet cannot afford to treat the sewage from 100 million people flowing into its rivers and coastal waters?

This article argues that Brown and the G7 are using HIPC debt to distract attention from the gigantic and growing debt, mostly owed to private creditors, weighing down on the rest of the 'developing world'. While HIPC debt is just a tiny fraction of Third World debt, it nevertheless exerts a crushing burden on the countries concerned.

On June 11, in advance of their July summit, the 'G8' agreed (once again) to 'forgive' $40bn in debts owed by 18 HIPC nations. This will supposedly amount to "100% cancellation" of their debts to public bodies. The HIPC countries are a tightly ring-fenced list of 38 extremely poor and mainly small countries. Its twenty other member nations are still working through the IMF conditions castigated by Archbishop Ndungane in the quote above. When the nine of them closest to reaching 'completion point' qualify, another $15bn of debt may be cancelled. John Kay, writing in the Financial Times, commented:

> *"HIPC governments' …external deficits are covered by aid and new borrowing. Rich countries are giving and lending the money they are repaying.*
>
> *"Would it not be better if this merry-go-round stopped? Not necessarily. When debt relief comes as an addition to total aid*

*flows… HIPC governments… have more to spend on their own projects. When such relief redistributes existing aid, it shifts resources to these governments from other potential recipients. The outcome will be somewhere between the two: there will be some new money, but nothing like as much as the headline figure. This grubby reality of rearrangement and spin… is how a modest commitment by the British and US governments has been turned into a reported $40bn of debt cancellation."*[31]




Nearly all of HIPC country debt is owed to public bodies, as

> *"…most private sector lenders extricated themselves years ago. The contentious debt is owed to international agencies – the World Bank, IMF and African Development Bank – whose shareholders are the governments of rich countries"*[32]

This circumstance is extremely convenient for Brown and other G7 leaders. It allows them to leave debt owed to private investors completely out of the picture.

What difference will removing this debt make to the HIPC countries? Will it allow them to graduate to the ranks of ordinary poor and exploited countries? The G7 is offering a 'helping hand' to the poor nations, while pressing down with their boot. In their June 11 communiqué, the 'G8' statement on debt relief makes clear that aid flows will be reduced accordingly:

> *"100 per cent stock cancellation will be delivered by relieving post-Completion Point HIPCs … of [their] repayment obligations and adjusting their gross assistance flows by the amount forgiven."*[33]

The real aims of the HIPC programme championed by Gordon Brown are two-fold – to alleviate (more important, to *be seen* to alleviate) the most egregious effects of the Third World debt (TWD); and to wean destitute nations from reliance on public funds, by creating a favourable investment climate – hence the stringent and humiliating conditions attached to HIPC debt relief, all designed to create profit-making opportunities for the G-7's private investors.

Finally, by making this the explicit goal of the HIPC programme, they validate the policies they are imposing on all 'developing nations', which have subordination to the free flow and free reign of private western capital at their core.

### *The surge in oil prices*

Just one single factor – the increase in the price of oil – cancels out, several times over, the theoretical benefits of promised debt reduction. Qualifying sub-Saharan African nations will save at most $1bn a year, less if aid flows are reduced. Yet the International

Energy Agency[34] calculates that the rise in crude prices will cost the region an additional $10.5bn a year in oil imports.

Losses for the 'developing world' as a whole will be far greater. On 11 September 2001, the day of the attack on the Pentagon and World Trade Centre, $23 bought a barrel of oil, by coincidence just a few cents away from its average price over the ten years to 2004.[35] At the time of writing (as the 'G-8' leaders assemble at Gleneagles) the price of oil is touching $60 a barrel. If we project a new average oil price of $55 per barrel, then 'developing countries', who in 2004 imported 33 million barrels of oil per day[36], are losing $1bn *per day*.

Oil is a significant factor in the overall debt equation. As one recent study[37] commented:

> *"In the course of the first oil crisis in 1973, sky-rocketing oil prices and the subsequent need for enormous amounts of hard currency led developing countries to accumulate foreign debt-something that would later prove to be another step toward the Third World debt crisis of the late 1970s and 1980s."*

It continued

> *"While Western industrialized countries are relatively well protected from the recent surge in oil prices, this does not apply to the oil-intensive emerging economies and even less to developing countries. … China, Vietnam, and Thailand… consume four to six times more oil per unit of GDP than Germany. One of the reasons for this is the trend… to relocate heavy industry, and thus energy intensive production, to emerging markets…*
>
> *"Even more seriously affected are developing countries… There are… likely to be grave consequences for developing economies the longer the high price of oil is sustained. This goes above all for the category of heavily indebted countries, as 30 of the world's 40 HIPC's are oil importers."*

The IMF reports that some HIPC countries suffer a staggering 2% decline in GDP for each $5 increase in the price of a barrel of oil.[38]

### *The elephant, unveiled: how big is the Third World debt?*

Gordon Brown, January 6:

*"today 27 countries are benefiting with $70 billion of unpayable debt being written off".* Note the tense – much of this is yet to happen.[39] This is the same debt whose cancellation was first promised in 1997. The IMF calculates the net present value (NPV) of the promised relief to be $32bn.[40]

The paltry progress in relieving HIPC debt needs to be seen in relation to total TWD, which at 2003's end, according to the World Bank and BIS, stood at $2.433tr[41].

*External* debt continues creeping upwards, but lower world interest rates have somewhat lightened the burden. This, however, hides an important development. Recent research[42] reveals that *"over the past decade or so… a number of emerging market economies have, for the first time, seen a rapid expansion in domestic, market-based debt"*[43] – reaching $800bn in 2001 for the 24 countries studied, much of it held by 'western investors'.

Its current total across all 'developing nations' can be conservatively estimate at c.$1tr, all of it owned by private investors, from hedge funds based in London and New York scouring the globe for the highest rates of return, to big local capitalists whose power over their nation states has been dramatically strengthened by the neo-liberal reforms (while at the same time they have been weakened vis-à-vis foreign imperialist capital).

Thus the real size of sovereign TWD is around $3.5tr, more than a hundred times the NPV of promised HIPC debt-relief! With amazing chutzpah, Brown claims his proposals constitute *"the final historic step* *in delivering full debt relief for the debt burdened countries"!*

The TWD is highly profitable to private investors *who are owed over $2.5tr of it,* if we including 'domestic debt' as we should. The World Bank reports[44] that, in 2003, the average yield on long-term (10-year) developing-country debt was 9.1%, compared to 2.9% for developed-country debt (they didn't provide figures for short-term debt, which generally pay an even higher interest rate), implying that private creditors 'earned' approximately $230bn p.a. interest in that year.

The reasons for the growth of 'domestic' debt are highly significant, and relate back to our discussion of the two tsunamis.

> *"[In Asian countries] the build-up of domestic government debt was propelled by the recapitalization of domestic financial systems… in the aftermath of the 1997–98 crisis".*

The report continued,

> *"Domestically issued, market-based government debt has become… a trigger for generalized debt and financial crises. [They] were at the center of the Mexican crisis of December 1994… in Argentina in late 2001 [and] presently accounts for the lion's share of public debt in Brazil and Turkey… [It] will ultimately determine the fate of those countries' efforts at financial stabilization."* [45]

The research paper identified another "key factor": lower tariffs on imports and exports has caused government income to fall sharply, obliging them to borrow more – clear evidence that the neo-liberal policies imposed by Gordon Brown et al. are aggravating the chronic TWD crisis.

And the outcome of all this? *More tsunamis:*

> *"a wave of restructuring or outright default on domestic government debts looms large on the horizon for many emerging market economies in the early part of the 21st century."* [46]

### *Make Poverty History's proposals*

This article does not attempt to evaluate Make Poverty History's analysis or its proposals. These are examined here only in order to provide context to Gordon Brown's 'anti-poverty' pronouncements. They deserve a more careful and detailed study because MPH exerts a significant influence on popular perceptions of poverty, on its causes and what should be done about it. On the one hand, MPH concentrate a great deal of wisdom, derived from close study of the facts about debt, falling commodity prices, free-market reforms etc.; and from its close contact with societies and social movements in the exploited countries. On the other hand, the NGOs and faith groups which provide its core are not political movements, they instead formulate moral imperatives ignored by the venal worlds of politics and business; seeking to impress these upon politicians and business leaders through reason and public pressure. They don't seek to change the government so much as to change the government's mind; they lead a mass lobby rather than a mass movement.

There are many problems and contradictions with this approach. One which concerns us here is evident in their brave attempt to formulate proposals which both correspond to the gravity of the situation and yet which keep open the ears of the powerful. The former demands radical solutions, the latter anything but. The inevitable compromise is that the needs of the situation are obscured and MPH's own proposals are left deliberately imprecise. Christiane Overkamp, a senior co-ordinator of the Global Call to Action against Poverty (GCAP), the international coalition of NGOs to which Make Poverty History is affiliated, said:

> *"It has been difficult to walk the fine line between demanding what is achievable and being accused of being too close to government".*[47]

How much debt relief does 'Make Poverty History' call for? It is not easy to extract an answer from their campaign literature. This repeats over and again the central demand stated in MPH's manifesto: *"The unpayable debts of the world's poorest countries should be cancelled in full, by fair and transparent means."*[48]

"The world's poorest countries" refers to the 38 HIPC countries and 47 other countries classified by the World Bank as "low-income" but which have been excluded from the HIPC programme – either because they don't meet the programme's strict criteria for unsustainable debt, or because of problems of 'governance' (a euphemism for *obedience*: their governments are unable or unwilling to obey conditions laid down by Gordon Brown and his IMF colleagues).

An ActionAid report, "What the G8 must do to Make Poverty History", calculates that the world's poorest countries owe $523 billion, which they contrast with the *"$48 billion – or half of what [the G7 pledged in 1998] – that has actually been cancelled."* But MPH is not calling for all this debt to be written off, only that portion it deems to be unpayable.

A 'joint NGO briefing paper'[49] issued in June 2005 by three prominent MPH members, Jubilee Debt Campaign, ActionAid UK and Christian Aid, attempts to calculate what 'unpayable debt' actually means. It concludes that

> *"35 [low-income countries] clearly need immediate 100% cancellation of debts, just to have a chance of meeting the MDGs [by the 2015 target]... On our analysis, this debt stock cancellation is needed in order to release an extra $45.7 billion in 2005, and similar amounts in each subsequent year… it is clear the G8 needs to go much further than current proposals, which … would release [a maximum of] $357 million this year."*

Unfortunately, the briefing doesn't say how much debt needs to be written off for these reductions in debt servicing to be achieved. World Bank/BIS data shows these 35 owed $372bn as of December 2003[50], implying that the G7's promised debt reduction is a tenth of what's necessary to make it possible to meet the MDGs… Yet even a debt cancellation on the scale demanded by the NGOs would reduce overall Third World debt by barely ten percent.

Meeting MDG targets would not 'Make Poverty History', they provide *only for a reduction in extreme poverty* – e.g. MDG targets 1 & 2 call for a halving of those living on less than one dollar a day (if you earn more than that, you're just 'poor'), and for a halving of hunger. The ordinary, grinding, everyday poverty of billions living in middle-income debtor nations would continue unabated.

Justice cannot be done in a few words to the efforts of MPH. The sole concern here is to put its proposals alongside those of Gordon Brown/G7 and to put both into a broader perspective. However, two specific criticisms are unavoidable.

First, by not *campaigning* for the $372bn debt reduction they think is necessary, and by not even mentioning the additional $3tr owed by ordinary poor countries, MPH has made it easier for Gordon Brown to obscure the true dimensions of the Third World debt and get away with his nonsensical claim to be proposing '100% debt relief'.

Second, MPH and its components are silent about the mountain of debt owed by poor countries to private western creditors. The entire focus of their anti-debt campaign is on the reduction of the minor portion of the debt which is owed to governments and IFIs. Even when the NGOs and liberal reformers promote their favoured alternative to default – an international bankruptcy court, which would adjudicate between the demands of creditors and the means of the debtors – they remain sotto voce on the subject of debt owed to private creditors. For this procedure would, if it were to be effective, significantly increase the riskiness of these private-sector investments and therefore the risk premia attached to them, promoting not stability and growth but their opposite.

There are enormous policy issues involved in how anti-poverty campaigners deal with private capital, market forces etc. The intention here is simply to insist that anti-debt campaigners must educate public opinion about this crucial dimension of the debt relation, even if this means radicalising their critique of Gordon Brown, even if this means losing privileged access to his ear.

The problem, of course, is that any attempt to target the debt owed to private creditors, and every criticism of the neo-liberal doctrine that markets must rule, he regards as 'extremist' views which *"cannot, and never should be, accommodated"* (see quote above introduction).

## *Aid and the Finance 'International Facility'*


G7 leaders have to work hard to dress up their extraordinary, self-serving stinginess as generosity. One well-known technique is to count military support, expense accounts, and all manner of other expenditures as 'aid'.

ActionAid claim that 68% of G-7 aid is 'phantom aid' (defined as *"aid that it is not genuinely available for poverty reduction in developing countries".* Britain's score is 29%; USA's, 86%). ActionAid calculates 'real' G-7's aid to be 0.07% of GDP, or just one-tenth of its 0.7% target.

In his January 6 speech, Gordon Brown recognised that,

*"…even if one or two of the G7 could… go to 0.7% tomorrow, we will still not reach the scale of the resources needed to achieve the MDGs… the scale of the resources needed immediately to tackle disease, illiteracy and global poverty is far beyond what traditional funding can offer today."*

Brown's solution is an 'International Finance Facility' (IFF):

*"The IFF is founded upon long-term, binding donor commitments from the richest countries like ourselves… it leverages in additional money from the international capital markets to … double development aid to halve poverty" resulting in "$50 billion more in aid a year."*

The idea is to sell bonds to private investors, with a coupon of 5-6%, serviced out of future aid budgets. 5-6% includes an estimate of the risk which 'the markets' will attach to the bonds. The less reliable they consider aid flows to be, the higher the risk premium they will demand. Economic crisis or an outbreak of parsimony in one or more donor countries could cause bond yields to soar, amplifying the unpredictability in aid flows which the IFF is supposed to dampen.

Gordon Brown has been touting his 'debt-reduction' policy for eight years, with little sign that he is any closer to winning over his G-7 colleagues. Way back in 1997 he said to this to the Labour Party Conference:

*"… if the poorest countries draw up their anti-poverty programmes to open up trade and investment, and tackle corruption, we the richest countries will through an international finance facility ensure we honour the timetable to reach 0.7 per cent of GDP and for the first time plan £50 billion more …"*

Meanwhile, the French government is pushing for a tax on international capital flows, but:

*"Gordon Brown, the guardian of a world-class financial centre in London and facing a powerful domestic lobby of defence manufacturers, would be politically courageous in the extreme if he accepted a tax on financial transactions or arms."*[51]

The *Guardian's* report of Brown's 6 January speech described the IFF as *"live now, pay later"*. It is, in essence, identical to the PPP-financed[52] construction of schools and hospitals favoured at home – in both cases, private sector funding is secured by guaranteeing to it a future stream of public funds.

Why don't the rich countries simply issue bonds to the value of the debt to be cancelled or the up-front aid that is desired? In both cases, the private sector would be invited to buy a guaranteed stream of payments from public funds. But the latter would be a straightforward debt and would have to be included in government balance sheets. Brown's big idea is that the IFF would allow participating governments to keep this debt off their books; only the interest payments would appear, and these would be financed from diverted aid flows. The dubious, standards-diluting nature of this proposal provides has met resistance from the BIS and is part of the reason for the other G7 governments' cold feet. The Bush administration goes further, arguing that the US constitution prohibits its participation: no government in power, they say, can bind future governments to current policies.

The IFF, if it comes into being, will deliver far less than is trumpeted by Gordon Brown. The WDM described Brown's claim that an IFF would 'double' aid as *"hubris"*.

*"on the Treasury's more realistic predictions [that rich nations meet the pledges they made at the UN's Monterrey Conference in 2002]… the IFF will on average raise an extra $19bn p.a. (at 2006 prices) in the [next] ten years… an average of around 20 per cent more than projected aid."*[53]

They add,

*"For about ten years of its existence, the IFF will clearly result in more aid money being made available… However… WDM estimates a total of $316.6bn less (at 2006 prices) would be available between 2018 and 2032. Based on these estimates, the IFF will result in an overall net loss of some $108bn over its 27 year life span."*

This $108bn loss, of course, would be the private sector's gain.

Brown's proposal for an IFF is more significant for what it reveals about the 'public-private partnership' than for its likely impact on aid flows. We have already seen how the IFF attempts to make poverty into an investment opportunity, and Brown no doubt hopes that much of the business would be captured by the City of London. It is also designed to be yet another lever to force open markets and roll back governments. As Brown told the House of Commons in May 2004,

*"it is a condition of the international finance facility…that countries receive the proposed development aid only if they show that they are tackling problems… associated with fiscal and monetary stability as well as opening up to trade and investment."* [54]

## *Trade*

Nowhere is the iniquitous relation between the imperialist North and exploited South more clearly revealed than in world trade. Unlike other elements of Brown's "New Marshall Plan", 'world trade' is not a budgetary issue for G-7 governments. Yet nowhere else is the relationship between government and private capital so pronounced and so *potent*. And nowhere else are Gordon Brown's calls so far-fetched…

Brown denounced the *"hypocrisy of developed country protectionism"* whose costs equal *"the whole income of all the 689 million people in sub-Saharan Africa".*

Yet, as UNCTAD dryly noted last year, *"it is unlikely that the web of domestic interventionist measures of OECD countries will be dismantled anytime soon."* [55]

Brown called for *"additional resources"* i.e., on top of those need to meet MDG goals and relieve debt, *"to build economic capacity and infrastructure … and to prevent their most vulnerable people from falling further into poverty as they become integrated into the global economy."*

Yet Britain remains far short of the 0.7% aid target; even if achieved, this would return but a tiny fraction of the wealth extracted from the South by Britain's 'world class' banks and TNCs. And if the past is a guide to the future, the possibility of G-7 leaders heeding these calls are nil.

A detailed evaluation of Brown's pronouncements and Britain's record on trade lies beyond the scope of this paper[56], it suffices to note that Brown's exceedingly optimistic aid targets appear *as loose change when compared to the losses suffered by 'developing nations' through trade. UNCTAD reported in 2004.*

*"Between 1980 and 2003, the price of food, including beverages, declined by 73.3%; agricultural raw materials prices fell by 60.7%; …minerals, ores and metals declined by 59.5%. By the first half of 2003, the price of coffee had lost 83% of its 1980 value."* [57]

UNCTAD's 1999 report was even more revealing:

*"Many manufactures exported by developing countries are now beginning to behave more like primary commodities… the prices of manufactures exported by developing countries fell relative to those exported by the European Union by 2.2 per cent p.a. from 1979 to 1994." "[without protectionism in markets for manufactures] …It is estimated that an extra $700 billion of annual export earnings could be achieved in a relatively short time in a number of low technology and resource-based industries. Agricultural exports could add considerably to this figure."* [58]

Simple calculation indicates that the annual losses of 'developing nations' resulting from declining terms of trade (taking 1950 as baseline for primary products and 1978 for manufactured goods) exceed $1tr[59]. What's more, this is calculated solely upon the volume merchandise that is currently traded – the South's exports would greatly expand if their producers were truly free to compete for the North's markets.[60]

The significance of this phenomenon was revealed in this, from UNCTAD in 1999:

*"the unprecedented collapse in commodity prices and cheaper manufactured imports from countries that had suffered currency devaluations… greatly helped to [industrial countries']…maintain income levels and reduce inflation."* [61]

It follows that declining terms of trade of poor nations *helped avert depression in the G-7 economies. Economic* and social stability and growth in the imperialist nations is predicated upon the exploitation and impoverishment of the oppressed nations. The evidence indicates that owners of capital in the North are addicted to ever-cheaper imports from the South. This is the *imperialist reality* of which Gordon Brown is a leading defender and chief spin-doctor.

## *Conclusions and reflections*

This article has had to grapple with perennial problem of terminology. The various terms used in public debate and academic literature – 'emerging' or 'developing', 'North' and 'South' etc. are euphemistic, deceptive and ideologically loaded. Infinitely richer, more concrete and scientific, I believe, are the categories 'imperialist' and 'oppressed and exploited'.

These terms capture the imperialist reality which others terms are designed to ignore. This examination of Gordon Brown's and the G7's anti-poverty proposals reveals powerful evidence of their validity.

These categories conform to Lenin's definition of the essence of imperialism – the division of the world into *"a large number of oppressed nations and an insignificant number of oppressor nations"*.[62] This definition encompasses both the economic aspect, *exploitation*; and the political aspect, *oppression*.[63]

But do the divergent fortunes of the semicolonies mean that they no longer share the same relationship with the 'leading group of nations'? Do extremely poor HIPC nations share fundamental attributes with Brazil and Thailand? What of S Korea and the other 'Newly Industrialising Countries' (NICs), and what of the rise of China? Do these new social facts invalidate Lenin's definition or do they only challenge it?

Here, I can only offer two preliminary comments.

First, what is remarkable is how few countries of the 150+ subject nations are serious candidates for membership of the 'developed world', a select club which has not admitted any new members for more than a century.

Second, I think it is simply to early to give a verdict. We have yet to go through a full cycle; we have yet to see how the gigantic imbalances and debt overhangs will resolve themselves. US and European capital took full advantage of the 1997-8 financial tsunami to deal hard blows to their rivals in the newly-industrialising economies and expand their own presence there.

Moreover, Japan is often cited as a precedent for other eastern emergence processes. China, S Korea and other Asian nations are aware of one particularly uncomfortable precedent: in the 1980s Japan won the open competition between industrial powers over who could most efficiently produce vehicles, electrical goods etc. However, it was denied the spoils of victory by US and European import quotas and a vast chauvinist campaign whipped up by the capitalist media in those countries. The result was the early appearance in Japan of an overproduction crisis and the ensuing depression from which, despite public debt rising from 10% to approaching 200% of GDP, it has failed to escape.

The results of these two east-west clashes, and the perception that the denouement of the NIC's challenge to the imperialists' economic hegemony is still to come, makes me think it is too early to declare that the old categories have been superseded.

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US officials point out that foreign workers in the USA send some $35 billion p.a. in remittances to their families back in their 'developing' countries, and that this is far more effective than government aid. 23% of the world's migrant workers now live and work in the USA. Between 1970 and 2000, the migrant workforce in the USA increased at around twice the rate of the migrant workforce in Europe.[64]

Annual remittances to 'developing countries' from workers in imperialist countries reached $88bn in 2004,[65] around double current aid flows. And these remittances are sent in small packets direct to poor households, far more efficient than official aid in making an impact on Southern poverty.

It follows that Gordon Brown's words of concern world poverty must also be judged against his government's treatment of migrant workers, people *whose only strategy for keeping themselves and their families alive* is to leave them behind and find work in Britain and Europe.

On this issue as with the others explored above, facts are not kind to Brown's pretensions of being a humane, caring politician.

We therefore conclude, from examination of his 'anti-poverty' proposals to the 'G8' summit; of his response to tsunamis, financial and tectonic; and of his activism as an ardent neo-liberal globaliser within the IMF, that Gordon Brown's advocacy on behalf of the world's poor should be regarded as, in essence, a masterpiece of public relations.

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Measuring 'aid' and debt relief against the much more impressive flows in the opposite direction (repatriated FDI profits, debt-servicing, declining terms of trade), a picture appears in which poor countries are aiding the rich countries, the reverse of the image propagated by Gordon Brown, Live8 and the BBC.

Recognising this transcendental fact is the beginning of wisdom. But we already know this, this is not a hypothesis awaiting theoretical proof. We don't need a zoologist to tell us that there's an elephant in the room. Sven Lindqvist, in his remarkable book 'Exterminate All The Brutes', begins and ends with the words:

> *"You already know enough. So do I. It is not knowledge we lack. What is missing is the courage to understand what we know and draw conclusions."*

Readers of this article may feel that it offers no hope of progress, no alternative 'solutions' to poverty. My answer is that we need the courage to understand that poverty is the inevitable consequence of exploitation; that a world system based on exploitation is properly called imperialist, and that supersession of imperialism requires social revolution. We need the courage to understand that revolutionary changes are necessary, and that the severity of the crisis is such that they are also inevitable.

To say that the present world order is rational and just is an insult to our intelligence. To say that no other world is possible is an insult to our imagination. And another world is not a distant dream; now is the time of its birth.

We will give our adversary the last words, but he might not wish us to think too much about them…

Gordon Brown, 6 January 2005:

> *"the fortunes of the richest persons in the richest country [are tied] to the fate of the poorest persons in the poorest countr[ies] of the world even when they are strangers and have never met."*[66]

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## *Footnotes*

[1] Current OECD membership: AUSTRALIA, AUSTRIA, BELGIUM, CANADA, CZECH REPUBLIC, DENMARK, FINLAND, FRANCE, GERMANY, GREECE, HUNGARY, ICELAND, IRELAND, ITALY, JAPAN, KOREA, LUXEMBOURG, MEXICO, NETHERLANDS, NEW ZEALAND, NORWAY, POLAND, PORTUGAL, SLOVAK REPUBLIC, SPAIN, SWEDEN, SWITZERLAND, TURKEY, UNITED KINGDOM, UNITED STATES.

[2] Brown (2001), from 16 September speech to the US Federal Reserve.

[3] Paul Blustein (2001), p148

[4] From figures collated by the BBC one month after the disaster (http://news.bbc.co.uk/1/hi/world/asia-pacific/4145259.stm).

[5] 'G-8' is the name for the G-7 – the imperialist governments of Britain, Canada, France, Germany, Italy, Japan and the United States, with Russia, admitted in 1999 as a reward for 'brokering a peace deal', i.e. accepting NATO occupation of former Yugoslavia.

[6] Unctad (1999 - Overview ppV-VI)

[7] World Bank (2005) pix

[8] BBC news report, 29 September 1999. (http://news.bbc.co.uk/1/hi/uk_politics/3699234.stm)

[9] Financial Times, January 12 2005

[10] Financial Times January 13 2005

[11] "After the tsunami, flexible debt relief is needed," Financial Times January 13 2005

[12] "IMF's immunity to loss in jeopardy" By Adam Lerrick - Financial Times January 10 2005

[13] In the final analysis, this is a reflection of two facts of transcendental importance; as its continuing decline indicates, the US dollar is increasingly unable to fulfil the rôle of world currency; and no other 'hard' currency is hard enough to replace it (even were that possible without war).

[14] "After the tsunami, flexible debt relief is needed" Financial Times January 13 2005

[15] Paul Blustein (2001), p202

[16] Financial Times, 22 October 1999

[17] Gavyn Davies (1988). Gavyn Davies, then chief economist at Goldman Sachs and later became the Director General of the BBC, until his resignation upon the release of the Hutton Report.

[18] Stiglitz (2002) pp110-1.

[19] Ellen Frank (1999)

[20] Stiglitz (2002) p 203.

[21] Financial Times, 18 November 1999

[22] Financial Times 16 November 1998

[23] Financial Times, 2 August 2002

[24] Financial Times, 20 September 1999

[25] See, inter alia, CfA (2005) p 112-3 for the list of eight goals and eighteen targets which comprise the Millennium Development Goals.

[26] In the MDG list , universal primary educations is actually target 3 and goal 2.

[27] See Mark Poston et al. (2003)

[28] See FCO (2003), Annexes 1, A&B.

[29] World Bank (2005) p8

[30] Quoted in Pettifor (1999)

[31] "Debt relief favours the indebted" Financial Times, 27 June 2005. This same economist stated, in a previous article ("Only the poor can make poverty history" Financial Times, 20 June 2005), *"People in rich countries are not rich because people in poor countries are poor, nor vice versa. Rich countries are rich mainly because they have benefited from two centuries of evolution of political, economic and social institutions. Poor countries are poor mainly because they have not."*

[32] "Debt relief favours the indebted" by John Kay, Financial Times, 27 June 2005.

[33] G8 (2005)

[34] Cited in Kevin Morrison and Chris Giles, "Rising cost of oil counters Africa debt relief", Financial Times, July 1 2005

[35] From US Energy Information Administration, http://www.eia.doe.gov/emeu/international/petroleu.html#IntlConsumption

[36] The group of OECD nations can be taken as a close proxy of creditor, imperialist nations, although it includes S Korea and Mexico. So, 'developing countries' here refers to non-OECD countries. Their 33 million barrels per day imports compare with OECD members imports of 49.6 million b.p.d.) Data from US Energy Information Administration, http://www.eia.doe.gov/emeu/international/petroleu.html#IntlConsumption

[37] Harks, 2004.

[38] IMF Research Department, 2005. *Impact of Higher Oil Prices on the. Global Economy.* February 8, 2005 http://www.stanford.edu/group/EMF/research/doc/ouliaris.pdf

[39] Brown is counting all HIPC debt reductions which have reached 'decision point' but have yet to reach 'completion point', hence debt is 'being written off' instead of 'has been…'. Should the benefiting nation balk at swallowing the neo-liberal medicine prescribed in its PRSP, 'being…' would become 'would have been'…

[40] Factsheet - March 2005 Debt Relief Under the Heavily Indebted Poor Countries (HIPC) Initiative http://www.imf.org/external/np/exr/facts/hipc.htm

[41] World Bank/BIS/IMF figures for end of December 2003.

[42] Reinhart et al (2003)

[43] Reinhart et al (2003) p4

[44] World Bank 2004 p39

[45] Reinhart et al (2003) p37

[46] Reinhart et al (2003) p41

[47] Quoted in "NGOs divided over $50bn G8 aid proposal", by Alan Beattie and Hugh Williamson, in Financial Times, July 7 2005

[48] Available from http://www.makepovertyhistory.org/docs/manifesto.pdf. The MPH manifesto also calls for

*"… resources… to achieve such cancellation should be in addition to… existing… overseas aid. … IFIs must stop requiring poor countries to implement harmful economic policies, such as privatisation and liberalisation, as a condition for granting debt relief… Full multilateral debt cancellation should be rapidly delivered… A fair, transparent and comprehensive international insolvency process should be created to allow creditor and debtor countries to resolve debt crises… Future development funding for the world's poorest countries should have a strong bias towards grants, until such a time as they can reasonably be expected to bear low-interest loans…."*

[49] Jubilee Debt Campaign, ActionAid, Christian Aid. 2005. In the Balance - Why Debts Must be Cancelled Now to Meet the Millennium Development Goals. Joint NGO Briefing Paper, June 2005. http://www.jubileedebtcampaign.org.uk/?lid=659

[50] According to Ann Pettifor (1999), "*Jubilee 2000 Coalition UK believes that at least 52 countries have unpayable debts of $370bn".*

[51] Beattie et al. (2005)

[52] PPP is the term used in Britain for Public-Private Partnership. In literature concerning 'development', PPP usually designates 'Purchasing-Power Parity'

[53] WDM (2005)

[54] Rt. Hon. Gordon Brown MP. Parliamentary answer on International Aid. *House of Commons Hansard*, 13/05/04, column 465, quoted in WDM (2004) p7.

[55] Unctad (2004a) p54

[56] For an empirical survey of the exploitative trade relations between imperialist and exploited countries, see Smith (2004), from which much of the following section is drawn.

[57] Unctad (2004) p126-7

[58] Unctad (1999 - Overview pVI & pIX.)

[59] See Smith (2004), p9 & p14. Rubens Ricupero, Unctad secretary-general: *"sales to the developing world currently account for nearly half of all US exports and for one third of those of the European Union."* (quoted in 'Emerging economies need help FT', June 14 2004). If fair prices prevailed, i.e. ones that equalised the quantity of materialised labour, what would they be paying the South, and what would they be paying each other?

[60] *"The threat of market penetration by southern producers is prompting new forms of protectionism … the abuse of anti-dumping procedures and health and safety standards against successful exporters in the South is causing major concern"* - Unctad (1999), Overview pIX

[61] Unctad (1999 – pII)

[62] Lenin (1920) p241

[63] This succinct formula abstracts from differences and divergences within each pole… and has no place at all for the so-called 'transitional' societies. These do, indeed, occupy a special place in the world economy. But to the extent that the former Soviet republics become ensnared in debt to imperialist creditors, so they become part of the debtor nations.

[64] World Economic and Social Survey 2004 p24 http://www.un.org/esa/policy/wess/wess2004files/part2web/part2web.pdf 4.5m people living in Britain were foreign-born, accounting for 9% of the working population. The equivalent figures for the USA is 35m and 12.5%. See *'Figuring out role of migrant workers'* by Andrew Taylor, Financial Times; May 04, 2005.

[65] According to the International Organisation for Migration, cited in *'World migration commission starts work in Geneva'* By Frances Williams, Financial Times December 9 2003.

[66] …or maybe I underestimate his sardonic humour. The full passage reads *"And does not already the response to the massive tidal wave in south east Asia show just how closely and irrevocably bound together today and in our generation are the fortunes of the richest persons in the richest country to the fate of the poorest persons in the poorest country of the world even when they are strangers and have never met?"* From the text released on the day by the chancellor's Press Office.