LETTERS TO THE EDITOR

Critical mistakes in campaign to support debt reduction

By Doug Hellinger
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From Mr Doug Hellinger.

Sir, Kevin Watkins' article is instructive, though it unfortunately fails to acknowledge the critical mistakes he and others made in the campaign supporting the multilateral Heavily Indebted Poor Countries' (HIPC) debt-reduction initiative in the 1990s.

With debt relief once again on the table at the upcoming annual meetings of the World Bank and International Monetary Fund, a brief review of this history is important.

The main error was in failing to appreciate fully that tightened control over the economies of poor countries was a core objective of the Group of Seven nations. The latter were thus able to generate support for debt reduction that not only was conditioned on the implementation of onerous economic adjustment policies but that was sufficiently modest and drawn out to prevent southern governments from charting economic courses not in the interest of G7 members.

Under adjustment programmes, local businesses, farms and jobs have been destroyed and essential services have been put out of the financial reach of the poor by inappropriate liberalisation, privatisation and related measures. Not only has poverty increased, but many HIPC countries have seen their debt burdens grow.

Regrettably, unwise support by campaigners also enabled the bank and Fund to require participating governments to establish poverty-reduction programmes that could be, and subsequently were, used by these institutions to further embed structural adjustment frameworks in relation to the national economic planning.

This time it is critical that support be given only to debt "solutions" that are not linked to the effective imposition of failed economic programmes.

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