

Scrap the debt!

A Cape Town based economic and development think-tank, the Alternative Information and Development Centre (AIDC) has put forward strong arguments for the scrapping of South African debt accumulated before the new government took power in April 1994.

Post-apartheid South Africa inherited a foreign debt of \$18,7-billion (about R90-billion). Servicing this debt is government's single largest expense. It currently consumes 21% of our total annual budget. In his budget speech this year, Finance Minister, Trevor Manuel, said this means that 21 cents of every rand collected by the government goes towards paying off the debt. He commented that: "this situation is both untenable and unsustainable."

" The AIDC agrees. It goes further, however, and argues that the democratic South Africa should not be expected to pay a debt incurred by the previous illegitimate government.

Unaffordable

The report sets out why South Africa cannot afford to pay the debt:

- ❑ The majority of South Africans are deprived of the basic necessities of life. R90-billion would go a long, long way towards providing these necessities.
- ❑ South Africa is already facing a balance of payments crisis. The additional burden of the debt repayments, which will amount to \$1,5-billion to \$2,6-billion a year for the period 1997 to 2001, will push the country over the edge.

by William-Mervin Gumede

Immoral and illegal

The report also argues that expecting South Africa to pay the debt is against all moral standards and also illegal. It points to the doctrine of 'odious debt', developed by the United States government and the US Chief Justice.

The US government used this concept to scrap Cuba's debt to Spain in the aftermath of the American-Spanish War 100 years ago. It argued that the debt was 'odious' and unenforceable since it had been incurred without the consent of the Cuban people and by means of force. It maintained that creditors knowingly took the risk of investment when they made the 'odious loans'.

In 1923, the Royal Bank of Canada sought to recover debt from the recently established democratic government of Costa Rica. The Costa Ricans contended the debt was illegitimate. They argued that the debt had been incurred by a dictator, not the people of Costa Rica. At the time the loans were made, the people had been engaged in political and military struggle to bring democracy to their country.

The case was heard by chief Justice Taft of the US Supreme Court. He fully upheld the repudiation of the debt.

More recently, South Africa scrapped money owed by Namibia, on the grounds that it was unjust. Western governments also

wrote off large portions of debt owing by Poland and Egypt.

The report also quotes the theories of the Russian emigre, Alexander Sack, who was an academic authority on the doctrine of 'odious debt' while he was a professor of law in France. He disproved the argument, which had been used by countries to whom money was owed, that governments invoking the doctrine of 'odious debt' have to prove that the debt did not serve the public interest and that the creditors were well aware of this. He argued that the onus was on the creditors to show that the funds were utilised for the benefit of the country.

If they could not do this before an international tribunal the debt would be unenforceable.

Illegitimate

The report argues that all debts incurred during the apartheid years are illegitimate because the apartheid regime itself was illegitimate. The United Nations and the International Court of Justice themselves proclaimed apartheid a crime against humanity.

The AIDC calls on South Africa's new government to evoke the doctrine of 'odious debt' and to enter into negotiations with creditors for the cancellation of all foreign

debt incurred during the apartheid era.

It concedes that the international financial institutions would balk at the precedent this might set and that this might have a negative effect on fickle overseas investors. It suggests that there is a need for international solidarity on this issue and that the people involved in the various anti-apartheid movements around the world could be brought in to support the action.

The AIDC acknowledges that scrapping the debt carries a high price-tag not only for the international financial institutions but also for their shareholders, who are ordinary citizens. It suggests, however, that this be seen as a form of reparation: "By cancelling the debt, the banks, governments and people of the international community would be acknowledging their debt - both financial and moral - to the oppressed people of South Africa."

The report concludes by calling on the government to cancel the debt unilaterally, should the creditors not agree. Government will need to be pressurised to take this step. Civil society organisations should start a campaign to achieve this goal. ★

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