



The Grayston Centre
28 Charles Square
London N1 6HT
United Kingdom

www.jubileedebtcampaign.org.uk
info@jubileedebtcampaign.org.uk

T: +44 (0)20 7324 4722
F: +44 (0)20 7324 4723

The Prime Minister
10 Downing Street
London
SW1A 2AA

19 September 2013

Dear Prime Minister,

On 4 September, representatives of the Jubilee Debt Campaign handed-in a paper chain petition signed by 10,569 people to 10 Downing Street calling for a Jubilee for Justice in response to today's financial crisis. In particular, the petition calls for:

- Cancellation of the unjust debts of the most indebted nations
- Promotion of just and progressive taxation
- The stopping of harmful lending which forces countries into debt

Earlier in the year we similarly handed in a letter signed by over 400 faith leaders.

In your response you said "Freeing developing countries from their debt service payments frees up vital resources that can be used to support the achievement of the Millennium Development Goals" and that the UK had been doing this through the Heavily Indebted Poor Countries initiative. However, HIPC only applies to countries with a national income of less than £700 per person a year. The IMF and World Bank themselves have said that HIPC is "coming to an end".

Countries such as Jamaica, El Salvador, Egypt, Pakistan and the Philippines continue to fail to meet the MDGs because rich countries, including the UK, have reneged on their pledge in MDG 8 to "Deal comprehensively with the debt problems of developing countries". Moreover, unsustainable debts resulting from reckless bank lending, including by British banks, are now causing large increases in poverty in European countries such as Greece, Portugal and Ireland.

International leadership is needed to create mechanisms to cancel these unjust debts, such as a fair, independent and transparent arbitration mechanism for sovereign debt. **We call on you to change UK government policy and join countries such as Germany and Norway in supporting the creation of an independent arbitration mechanism for sovereign debt.**

The current failure of the international system to resolve debt crises is also shown in the legal case in New York where vulture fund NML Capital could force Argentina to default on its debt. After Argentina's external debt payments reached 45 per cent of government revenue in 2001, the government had to default on its debt. Most creditors have accepted a reduction in the debt owed, except vulture funds show as NML Capital, who bought debt at a steep discount, and are now demanding massive profits. The UK parliament has shown action to make vulture funds comply with internationally agreed debt write-downs is possible through the Debt Relief (Developing Countries) Act 2010. **We call on you to extend the UK Debt Relief Act to all internationally agreed debt write-downs, including Argentina and Greece, and share this experience with the US government.**

£2.3 billion of debt is still owed by developing countries to UK Export Finance. This includes: loans to now deposed Indonesian dictator General Suharto for military aircraft and tanks, which were

used against Indonesian people; loans to now deposed Egyptian dictator Hosni Mubarak for military equipment; and loans to Saddam Hussain for weapons and a chemical weapons factory. Repayment of these and other similar debts is unjust. Norway has audited the debts still owed to it, and cancelled unjust debts resulting from useless loans for ship exports. **We call on you to hold a public audit into the debts owed to UK Export Finance, and cancel the unjust debts, such as loans for arms sales to now deposed dictators.**

Our petition calls not just for cancellation of these debts, but progressive changes to the tax system and regulating the financial system to prevent future debt crises.

The positive wording on action on tax transparency and exchange of information achieved at the G8 needs to be followed up with concrete action, which includes developing countries. However, the rhetorical statements on tackling tax avoidance are contradicted by UK government action such as: leading a global race to the bottom in consistently cutting the rate of corporation tax; bringing in Controlled Foreign Company rules which will enable global tax avoidance through companies borrowing funds in the UK and passing the debt on to foreign subsidiaries via tax havens; investing public money from the CDC through tax havens, enabling companies in developing countries to avoid tax. **We call on you to end the cuts to corporation tax in the UK, scrap the introduction of new Controlled Foreign Company rules, and stop UK public money being invested through tax havens.**

In the 1950s and 1960s, regulations existed to control the amount of debt created by banks, and to monitor and smooth the flow of debts across the world. When such regulations existed, debts were far lower, growth was higher and there were hardly any debt crises. Again, international leadership is needed to re-regulate the financial system; something which many countries are prevented from doing because of bans on regulation at the WTO and other 'free trade' agreements. Furthermore, the proposed EU-US free trade agreement and the 'Really Good Friends of Services' negotiations at the WTO threaten to further weaken the possibility of introducing capital account regulations. **We call on you to remove financial services liberalisation from the EU-US free trade agreement and the Really Good Friends of Services negotiations.**

Furthermore, many of the countries you mention which have benefited from debt cancellation are seeing their debts increase rapidly. The IMF and World Bank, over which the UK has a large say, are responsible for half of lending to low income countries. Foreign lending to sub-Saharan African governments has more than doubled between 2006 and 2011, and is due to increase even more in 2013. Vince Cable's UK Export Finance is seeking to rapidly expand its lending, whilst it currently only conducts human rights, environmental and social impact assessments on 3 per cent of the loans it gives. And Justine Greening's Department for International Development is planning to give more aid as loans. All these changes mean the UK is fuelling future debt crises through irresponsible lending. **We call on you to reduce the amount of aid the UK gives through loans via the World Bank; do not introduce a new lending facility for UK bilateral aid; and make UK Export Finance conduct human rights, environmental and social impact assessments on all the loans it gives and guarantees.**

For a just and stable global economy, we need cancellation of unjust debts, tax justice and controls on lending.

Yours sincerely,



Tim Jones
Acting Director