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CADTM takes satisfaction from the Belgian Senate's adoption of a resolution cancelling the debt of developing countries and urges the government to implement it

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CADTM

The resolution cancelling the debt of the Least Developed Countries (LCD) [\[1\]](#) adopted by the Belgian Senate on 29 March 2007 with a majority of 34 votes to 29 represents a major advance in several respects.

The resolution calls for the Belgian government to conclude an agreement with all concerned indebted countries in order to completely cancel their debt. In that respect, the Senate's proposal does not go beyond what has already been decided by other governments. But fortunately the Senate blazes trails in several very significant areas:

- ▶ it proposes to decide on a *moratorium on the bilateral debt with no interest arrears* [\[2\]](#) in favour of the Least Developed Countries (point 6);
- ▶ it states that a country's bilateral or multilateral debt must be assessed at its true value. The Senate considers that the actual value, and not the nominal value, must be taken into account. Take the example of Belgium's debt claim on the DR of the Congo: in the early 2000s it amounted to some USD 900 million. This amount represented the nominal value of debts going back twenty years, when Belgium was actively supporting dictator Mobutu. But in fact the Belgian Treasury estimated privately that the real value of the debt was equivalent to no more than 4% of this amount. Indeed, given the DRC's poor economic condition, if Belgium had wished to sell its debt-claims on the secondary debt market, it would not have been able to cash in more than about USD 36 millions (i.e. 4% of the nominal value). A few years ago when the Belgian government started to implement a debt reduction plan in DRC, it tried to inflate the scope of its financial effort by claiming that it would cancel nearly USD 900 million in Congolese debts in several stages. Actually it amounted to no more than USD 36 million less for Belgium. Since all other creditor countries manipulate figures as Belgium does, the Belgian Senate's proposal has considerable international significance.
- ▶ it asks the government to publicize the accountancy principles used for the management of debts and the debts' real value (point 4) and no longer to include cancelled amounts in the budget for public aid to development (point 17) [\[3\]](#). The Senate asserts that Parliament must exert its democratic control on government. Government must report to parliament on its debt-cancelling actions every year (point 20).
- ▶ while it applies in principle to all developing countries (see introduction to point 10 in the Senate's text), point 10 relates to debt auditing and odious debts, two of the recurring demands formulated by CADTM and other movements for cancellation of the debt. In this respect the Senate asks the Belgian government to set up an audit on the odious nature of Belgian debt-claims on developing countries. In the same paragraph it considers that at the very least an odious debt is one contracted by a non-democratic government, that the borrowed amount did not benefit the local population, and that the loan was granted while the creditor was aware of the two above-mentioned facts (point 10). The Senate thus uses two of the instruments CADTM among others has put forward to establish a legal basis on which the Third World debt can be cancelled: auditing and the notion of odious debt. Consequently CADTM can provide Belgian authorities with various tools, including an Auditing Manual it developed in 2006 with a number of organizations in countries of the South and with CETIM (Switzerland), and its recently published « Pour un audit de la dette congolaise » (For an audit of the Congolese Debt) [\[4\]](#).

The Senate asks the government to cancel the odious part of Belgian debt claims that the auditing process will reveal (point 11).

Several paragraphs in the Senate's resolution extend the demands made to the Belgian government to the World Bank, the IMF and other international institutions, considering that so far the WB's and the IMF's initiatives aimed at solving the debt crisis have not had any positive results (point C. of the voted resolution).

The Senate also clearly rejects the macro-economic conditionalities imposed by the WB, the IMF and other institutional creditors. Indeed, referring to multilateral debts, the Senate urgently demands that debt cancellation be granted on the basis of a new social approach defined, at the very least, by the Millenium Development Goals, and not only [5] on the traditional macro-economic conditionalities (point 14). The Senate asserts that the Belgian government must present to Parliament the current situation and the results of its diplomatic contacts as well as the points of view on multilateral debt that Belgium put forward in IMF and WB meetings (point 21).

Since the text relates to the multilateral debts of all Third World countries, Belgium will have to strengthen its diplomatic action within international circles in order to achieve the cancellation of public external debts to the WB and the IMF and must not include the cancelled amounts as part of the budget for development cooperation. After the Norwegian government, which one-sidedly cancelled its bilateral debt-claims on five Third World countries in October 2006 - without referring to the Paris Club -, the Belgian government must now implement the resolution adopted by the Senate, and the Finance Minister Didier Reynders must put forward Belgium's new position at the next IMF and WB general assembly to be held in Washington DC on 14 and 15 April 2007.

In concertation with other movements that demand more North - South solidarity CADTM will see to it that the present resolution is not forgotten in some drawer and that cancellation of Belgian debt claims is not included in public aid to development.

Finally CADTM urges the peoples and the authorities in the South to audit their country's debt so as to be able to demand its cancellation, the retrocession of ill-acquired goods and the compensations they are entitled to from countries of the North.

For more information see the CADTM website:

the complete text of the resolution as voted by the Senate on 29 March 2007:

<http://www.cadtm.org/IMG/pdf/070327Senat.pdf>

the report of the Belgian Senate and Chamber of representatives on the debt, dated 16 October 2006:

<http://www.cadtm.org/IMG/pdf/061016CR.pdf>

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[1] According to the list established by the IFI and the OECD, there are currently 50 LCDs.

[2] It should be recalled that following the tsunami of December 2004 off the coast of Indonesia, the Paris Club had proposed a one-year moratorium with possible accounting of interest arrears, which CADTM denounced in March 2005, since this meant increasing the debt of the countries concerned. See Damien Millet and Eric Toussaint, *Tsunami Aid or Debt Cancellation !*, VAK, Mumbai, 2005.

[3] See Damien Millet et Eric Toussaint, « Les faux-semblants de l'aide au développement », *Le Monde diplomatique*, July 2005.

[4] A manual on how to organise audits on third world debts. Let's launch an enquiry into the debt!, CADTM-CETIM, Liège-Geneva, 2006, 96p. on line: http://www.cadtm.org/texte.php3?id_article=2296 A qui profitent toutes les richesses du peuple congolais. Pour un audit de la dette congolaise, CADTM, 2006, 56p.

[5] Naturally, CADTM would have liked the word « only » to be removed from the text.