

Pronouncement

Latin American before the G8 Summit



205 million people
in Latin America
live in conditions of poverty

G8: HUNGER DOESN'T WAIT

**IN DEBT
WITH RIGHTS**

Before the summit of the 8 richest countries in the world, LATINDADD declares the following:

1 Despite the economic growth in Latin America, poverty and inequality have not diminished.

Economic growth

General production has increased in the past four years in Latin America. However, this is deceptive, considering the enormous transfer of resources abroad (through the remittance of profits, debt payment and the placement of reserves).

Poverty

This economic growth is not benefiting the population: Latin American continues to maintain high poverty levels. In 2006, 205 million people lived in poverty (38.5%) and 79 million lived in extreme poverty (14.7%).

According to CEPAL, Latin American nations have progressed an average 29% toward reaching the Millennium Goals, insufficient progress considering that we are halfway to 2015.

Studies have estimated that in order to achieve the Millennium Goals, poor countries would have to at least double their gross domestic product growth and maintain those levels until 2015.

Inequality

"Latin America and the Caribbean continue to be the most unequal regions in the world, which responds to the unequal distribution of assets – land, capital, education and technology – and limits the possibilities to meet the Millennium Development Goals," according to CEPAL. Privatization policies, liberalization of trade, investment and labor flexibility, have worsened this situation.

CEPAL also warns that internal public resources are not sufficient to make to necessary investment to achieve the Millennium Goals even if favorable conditions exist over the next decade, which is to say a higher growth rate, an increase in tax pressure and higher social spending in line with fiscal income.

2 Fiscal sustainability measures prioritize financial criteria as opposed to human development.

The "fiscal sustainability" criteria promoted by international financial bodies continue to prioritize financial indicators (the sustainability of the debt among others) and indicators related to attracting foreign investment and the liberalization of trade, leaving aside those criteria that contribute to human development indexes. This is reinforced by the Country Policy and Institutional Assessment Indicators-CPIA and Indicators on Good Governance and the Battle Against Corruption, created in the framework of the new World Bank strategy that carries the same name.

3 The weight of the total public debt continues to be high despite current debt management policies.

Foreign Debt

The overall foreign debt in Latin America declined in 2005 and 2006, mainly due to prepayments carried out by major middle income nations - Mexico, Brazil and Argentina – in order to achieve greater autonomy from international bodies regarding their economic – financial decisions.

The foreign debt in the region has also declined because of measures aimed at its reduction – through the HIPCS (2) program (Bolivia, Honduras and Nicaragua) and debt re-profiling efforts in middle income countries (Peru and Colombia), proposed by International Financial Organizations in the face of pressure from civil society and as a way to prevent future crises and facilitate the liberalization of trade and investment.

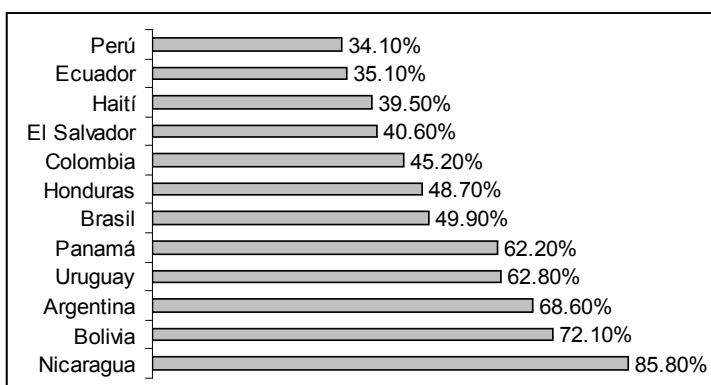
In 2004 the total foreign debt in Latin America was \$761,344 billion; in 2005 it was \$656,129 billion and in 2006 it was \$632,849 (preliminary figures as of June 2006). Prepayments on the debt were carried out seeking "fiscal sustainability and recommended levels of deficit" and greater autonomy but failed to take into account basic unsatisfied needs or the "social debt."

The relationship between debt and the GDP has principally declined as a consequence of economic growth and not because of a significant reduction in the foreign debt stock. The debt declined 16% in the 2004-2006 period and the GDP grew 9.8%. However, countries like Chile, El Salvador, Guatemala, Panama, the Dominican Republic, Uruguay, Jamaica and even Mexico are increasing their foreign debt.

Public debt

The weight of the public debt, foreign debt combined with the domestic debt, continues to be high: 42.9% of the GDP. In the majority of countries, the foreign debt continues to be high and in every country the Domestic Debt is growing at a fast pace.

Weight of the Public Debt



In many cases, both the domestic debt and the foreign debt are being transformed into bonds, which implies a dispersion of creditors and even includes private citizens.

The financial mechanisms used to administer the debt serve to favor the liberalization of trade; investment and the free flow of capital, in the framework of crisis prevention policies, which implies that international bodies assume control of public finances.

Risks of increasing the debt

New loans are currently on offer that could increase the foreign debt. The offer is primarily aimed at promoting trade: increase of competitiveness, loans for export. At the same time there is an offer of funds that form part of the "Good Governance and Battle Against Corruption" strategy of the World Bank to strengthen and reform institutions.

At the same time, the lack of a progressive tax policy could lead countries to take on new foreign debt in order to cover the deficit.

4 Despite the commitment assumed by the G8, only 0.36% of the income of wealthy nations is earmarked for development cooperation.

Despite the fact that the Monterrey Consensus recognized the importance that donors take measures to ensure that resources provided for debt alleviation do not undermine the Official Development Assistance (ODA), these resources are being reduced under the guise of debt alleviation and in some cases cutting this aid is being considered.

The richest countries in the world are not fulfilling their commitment to designate 0.7% of the GDP to development aid but only 0.36%. According to a survey carried out by Oxfam, residents from European countries believed that their nations earmarked at least twice this amount to help poor nations.

5 Poor countries still pay the cost of the conditions imposed by the IFIS.

Both foreign aid and debt alleviation were tied to a series of conditions which principally referred to structural adjustment measures such as the liberalization of trade and the privatization of goods and collective services of natural interest (natural resources, energy, social security, etc).

Other conditions were linked to the purchase and use of goods and services of the private companies of creditor nations.

Poor countries still pay the costs of these conditions

and if no solutions are found, they will continue to do so for many more years, such as the case of an increase in the domestic debt in some countries in order to finance some of the reforms that were part of the programs with the IFIs.

On the other hand, after the debt alleviation countries once again began to contract new loans that are not necessarily related to reducing poverty.

6 Commercial relations continue to be asymmetrical.

Moreover, against this backdrop, the Net Transfer of Resources abroad has continued to be negative for all of Latin America since 2001. In 2004 it reached -\$67,076 billion and in 2005 it reached -\$76,987 billion and in 2006 it reached -\$102,367 billion. The countries with the highest negative transfer of resources are: Venezuela, Chile, Brazil, Argentina, Mexico and Peru.

The most developed nations continue to safeguard their production with protection policies and subsidies that distort international prices and the market, principally regarding agricultural products. These measures, accompanied by a market opening and regional and bilateral "free" trade agreements, place poor countries at a disadvantage because they cannot provide their producers with subsidies or incentives and compete to "favor" their development through trade.

7 Climate change puts the survival of the planet at risk.

Climate change and global warming are the consequences of the current development model, which consumes and depraves natural resources. The current economic policies are at the service of the excessive zeal of major multinational firms that elude social or environmental regulations.

Industrial nations produce 70% of global warming emissions. The impact of climate change is affecting the Latin American people, with the melting of the glaciers, the decline of water sources, the increase of storms, drought and intense frosts.

In this sense, it is unfortunate that there are countries that refuse to sign the Kyoto Protocol, when it is urgent that it be fulfilled and that countries even go beyond the protocol.

What do International Financial Bodies propose for Latin America?

International Financial Bodies insist that Latin America apply the following measures:

- Greater commercial opening.
- Incentives for private investment.
- Greater labor flexibility.
- Promotion of savings and consumptions.
- Fiscal reform, debt re-profiling and attention to "social problems."

What is the impact in Latin America?

- Unemployment, underemployment, and employment with low wages that causes growing dissatisfaction.
- Increase of migration from the countryside to the city and towards Northern nations.
- Rising protests on the part of broad social sectors that do not feel included.
- Mobilizations in the face of foreign investment, trade liberalization, budgetary adjustments and debt payments.
- The population's lack of trust in the political class.

What do we propose from Latin American and global citizen movements?

DENOUNCING the incoherence between the supposed "stability" that is reduced to economic-financial indicators and the dramatic human development indicators in Latin America, we propose:

- To continue to demand a change in the architecture and international financial mechanisms that prioritize the liberalization of trade and investment, subordinating these to debt management.
- To continue strengthening the articulation of teams and campaigns regarding the debt: its annulment, cancellation, audit and citizen control.
- To contribute to the development of new financial mechanisms that are being promoted in South America, such as the Banco del Sur, the Southern Monetary Fund, the regional currency, as well as ensure that they are truly equitable. All of this must take place in the framework of an International Financial Code according to Human Rights agreements.
- To persist in the struggle for equitable trade relations, without disloyal competition and which respect the right to wellbeing of our farmers, our sovereignty and our food security as well as the conservation and management of the biodiversity of our territories.
- All of this must converge in a major world alliance to detain economic policies that contribute to climate change and global warming.

We join the Week for Global Action Against the Debt and IFIS of October 14 – 21, 2007