

House of Representatives, Monday 6 December 1999

COMMITTEES: Foreign Affairs, Defence and Trade Committee: Report

Mr HOLLIS (Throsby)(12.51 p.m.)—On behalf of the Joint Standing Committee on Foreign Affairs, Defence and Trade, I present the committee's report entitled *World debt—a report on the proceedings of a seminar, 27 August 1999*, including evidence received by the committee and the minutes of proceedings.

Ordered that the report be printed.

Mr HOLLIS—I am pleased to present this report of the proceedings of a seminar on world debt hosted by the Joint Standing Committee on Foreign Affairs, Defence and Trade on 27 August of this year. The seminar was opened by the parliamentary secretary responsible for Australia's aid program, the Hon. Kathy Sullivan MP. The panel of speakers on the day included representatives of Jubilee 2000 and several other non-government organisations. The seminar was balanced by the inclusion of academics and officers of government departments and was very well attended by members of the diplomatic corps, representatives of government and non-government organisations and other interested parties, as well as members of parliament.

The debt of the world's poorest nations is an issue that all sides of politics have a great concern for, a concern shared by many people in Australia and around the world. The petition of 385,000 signatures from Australians presented to members of parliament clearly demonstrates the depth of feeling in the community about the debt issue. The Australian petition formed a part of the global petition of some 17 million signatures which was delivered to the June 1999 meeting of the G7 nations in Cologne. The debate about development has evolved in recent years. Debt is one of the fundamental problems inhibiting growth in the poorest nations of the world. There is the belief that debt and a failure to develop are intrinsically linked. Indeed, indebted nations are unable to attract investment or to invest in their own social capital, because of the debt burden they carry.

In 1996, the World Bank and the IMF launched the Highly Indebted Poor Country initiative to alleviate some of the debt of the poorest nations. Criticisms have focused on the initiative's strict qualifying criteria, the limited amount of debt forgiveness and the long compliance period that countries must adhere to before debt forgiveness is offered. In response to the continuing debt crisis and the perceived shortcomings of the HIPC initiative, a broad coalition of interested parties began campaigning for greater debt forgiveness for the poorest nations by the year 2000 on moral and ethical grounds. In June 1999, G7 leaders agreed to the Cologne debt initiative, which would relax some of the criteria for access to debt relief and, most importantly, substantially increase the amount of money offered for debt forgiveness.

Australia bears little responsibility for the indebtedness of other nations. We accept that the scope that the Australian government can play in reducing the debt of developing countries is somewhat limited. The committee report, therefore, focuses on the concrete objectives that Australia can pursue to reduce poverty in the world's poorest and in other developing nations. In our report, we recognise the need for a fine balance between the monetary cost of the Jubilee 2000 proposal for debt relief and the human costs of doing nothing and the debt crisis continuing. It is on this basis that the committee recommends that the government continue support of the HIPC initiative.

Australia does not have a great deal of bilateral debt owed to it by other nations, and even less of that debt is not being serviced. This is largely a result of prudent decisions to offer development assistance in the form of grants, not loans. At the seminar, the committee was told that the size of these debts totalled less than \$80 million. In the spirit of the HIPC initiative, the committee recommended that Australia offer this bilateral debt to be considered

as part of any future contributions to the revised HIPC initiative where those countries are permitted to agree to meet the HIPC conditions.

Despite the IMF proposal to revalue some of the reserves of gold in order to pay for the HIPC initiative, the initiative will not be fully funded. It is on the basis of this expected shortfall that the committee recommended the Australian government give consideration to additional contributions towards the HIPC initiative, in line with Australia's level of obligation to the IMF and World Bank. Debt relief may be a circuit breaker, but it is not a panacea for the development of the world's poorest countries. Development will flow only from a genuine commitment to improving material conditions of its people, along with basic policies and robust institutions that are essential to growth. I commend the report to the House.