

FOOD, ENERGY AND DEBT CRISES IN RELATION TO WOMEN;  
WOMEN'S MOVEMENTS AND VISIONS

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ADDRESS BY DR. PIUS OKIGBO, MEMBER, SOUTH COMMISSION  
TO THE DAWN MEETING AT IBADAN, NIGERIA, 23 FEBRUARY, 1988

Distinguished Ladies,

The meeting of the Development Alternatives with Women for a New Era (DAWN) at the enlightened university city of Ibadan, one week before the meeting of the South Commission in Kuala Lumpur, Malaysia, could not have been more auspicious. The outcome of this policy seminar of DAWN can contribute to the work of the Commission; its importance is heightened by the fact that we have, in the Commission, three women members: your international relations co-ordinator, Devaki Jain (India), Marie-Angelique Savane (Senegal) who is currently President of the Association of African Women for Research and Development (AAWORD) and Professor Solita Collas-Monsod of the Phillippines. You have therefore, as of right, direct routes for channelling the results of your deliberations to the South Commission.

At the first meeting of the Commission in October 1987, we were all agreed that the decade of the 1980's is a decade of missed opportunities, missed by the North and South alike. Between 1960 and 1980, many new institutions were created with a focus on Third World problems. It will be recalled that the International Development Association of the World Bank (IDA) was established in 1961. It was followed by the United Nations Conference on Trade and Development (UNCTAD), the United Nations Industrial Development Organisation (UNIDO), etc. The Third World itself, conscious of its poor bargaining position, had also established the Non-Aligned Movement which demanded a new international economic order. In the 1970's, the vocabulary of international economic organisations was laced with regular and frequent references to the problem of Third World poverty, health and

food. The Brandt Commission which raised the expectations of the Third World soon left behind it a legacy of despair and frustration. All further efforts during this decade to engage in meaningful dialogue between the North and the South showed that the developed industrial countries of the North seemed to have hardened in their attitude and positions, rendering further dialogue not only doomed to failure but wasteful in time and resources.

The countries of the South on their own part continued to be fixed in the same set mould of ideas, failing to realise the potentials of South-South self reliant co-operation and co-ordination of policies, procedures and actions. They have gone singly to the bargaining tables in the North on the most pressing problems of the day, cap-in-hand, asking for concessions. With the decade coming to a close, we in the Commission believe that the drift has to come to an end and that we must seize the opportunity for change.

Since the era of decolonisation, the South has not faced such an envelope of crises as in this decade; with the North, as it were, turning its back unto itself to face the periodic crises in its economy and its politics and in the continual struggle for hegemony over the resources of the Third World, the South has been visited with complex problems in economics and politics fundamentally threatening the survival of a large number of countries. For at bottom, the crises in the Third World are, in part, a consequence of the policies of the North in its drive for cheaper raw materials, for ready markets for its own products, and for economic and sometimes political dominance.

Admittedly, the South has made giant strides in pulling itself up in the past thirty/forty years and especially in the two decades from 1960 to 1980, if we count them by the standard indices used to measure economic advance in the North: growth rates of the gross national product, savings/investment ratios, extent of industrialisation etc. But it is, in fact, this very concept and meaning of economic advance that is being challenged; it has become evident since the 1970's, that with, and in spite of, favourable movements in these indices, all the countries of the South are facing major, prolonged and profound crises of development, that the extent of the misery is deepening and widening and that development in the conventional sense is fast losing its meaning. The South Commission believes that development has meaning only if it is "people oriented", that it must relate principally to man and not just to things. The Commission has set itself the task of redefining the goals of development for the South, looking at the historical past and present experience in order to articulate a vision of the future in which the South can be said to have its rightful place. In the words of Chairman Julius Nyerere of the South Commission, the countries of the South must participate in shaping their own future according to their own desires while meeting the challenges of growth, development and equity.

We recognise that the world belongs to all humanity in the North and South alike and that we all have shared interests as members of the entire community of nations. The posture of the Commission cannot therefore be simply confrontational; but it cannot, either, be supplicatory. Our aim is to redefine and establish our

identity as a group with similar and in many facets identical problems. The countries of the North have a multiplicity of fora where they can co-ordinate their views, opinions, and actions and through their control of information systems they have made these views and opinions those of the world, even though three fourths of the world live in the South. It is tragic therefore that we, in the South, should stand by and watch the evolution of the structures created by the North for the North while at best we try, even in the face of assurances of failure, to use them or to bend them to our own purposes. At the first meeting of the Commission, Chairman Julius Nyerere reminded us, and it is worth repeating, that during the struggle for political independence the countries of the South fully and publicly supported each other in spite of the differing strategies used by different countries in their struggle. On the economic front, we are witnessing today an erosion of that solidarity. It is our duty to call for co-operation among the countries of the South so that they can, as they once did on the political question, co-operate with each other in spite of the differing ideologies and economic and political structures. For this reason, the achievement of collective self reliance for the South is a principal pillar in the Commission's terms of reference.

#### DAWN's Research Agenda

I am particularly pleased to see that DAWN is establishing networks for research on the impact of food, energy and the debt crises on women. I observe from your programme that you are seeking to use international as well as national fora to expound your views and disseminate your findings and recommendations. The emergence of

crises in these specific areas has tended to push women out of the more rewarding occupations to the informal less remunerative and more dehumanising activities. Education provided an escape hatch but it is only for a limited number of women as the bulk of the Third World women are still caught in this trap. It is therefore relevant that your research agenda should seek to identify the differential impact of national and international policies on various classes and groups of women. In our own work in the South Commission, particularly in our survey of the development experience of the South, we shall be paying particular attention to problems of equity and fairer sharing of the fruits of development. We shall be concerned with the participation of people - especially the more vulnerable groups like women - in the development process. Similarly, our interest in human resources development in the Third World should find ample room for some input from DAWN on the role of women and the abatement of the impact of policies on the status of women.

#### External Debt

I have noted the emphasis placed in the agenda for this seminar on the external debt of the Third World and on the fact that the South Commission is expected to issue a statement on this question at the conclusion of its second session in Kuala Lumpur. I have had the privilege to serve on a small committee of the Commission that prepared the draft statement to be considered by the plenary session in March. In speaking to you on this aspect of your agenda, I have drawn freely from the outcome of the deliberations of that Committee.

We need to separate two main categories of Third World debtor nations: the low income and the middle income countries. They are separated not merely by the level of debt but more so by the incidence of the debt service burden. Sub-Saharan Africa represents the bulk of the low income countries which are facing debt service ratios, in some cases, of more than 100 percent of their exports. Such countries cannot, under any conditions, be expected to carry that burden even at what might appear to be much reduced levels. The middle income countries, a few of which are found in Africa, do not have much greater prospects even though they seem to have marginally more room to manoeuvre.

We need, in the second place, to separate the different categories of creditors since this distinction has an impact on the burden of the debt service. There are thus: multilateral institutions (IMF, World Bank etc), official creditors (government to government debt), private financial institutions (banks, suppliers etc). In this last instance, some of the debt may be guaranteed by the governments of the debtor countries.

The re-evaluation of the status of debts is urgent because none of the countries in the Third World - low or middle income countries - can now meet the service obligations and still create opportunities for growth. In the view of the Commission, this re-examination must be based on a number of canonical principles which should be accepted by creditor and debtor alike. First, it is outright dangerous, not just inequitable, that in the past five years the poor nations of the world should have made a net transfer of resources of some \$85 billion to which must be added another \$80 billion per year on trade account arising out of the secular

deterioration of the terms of trade. The net transfer must be reversed in favour of the poor countries for otherwise there is no hope whatever of their building up resources for growth. Secondly, it is self defeating to service existing debt without creating capacities for sustainable growth. Third, creditor multilateral institutions like the IMF, World Bank, etc often insist on structural reforms but because these are not country specific, they have left most Third World countries crippled because they have repressed the growth they were meant to induce.

Furthermore, very many countries of the Third World, especially those in the low income range, have discovered that the relief they have sought in the structural adjustment packages has been illusory. It is even more disconcerting when it is so obvious that the adjustment packages are not ideologically neutral. In arguing for co-operative self reliance, we hope to restore some dignity to the countries of the South in their relations with each other and between them and the North. We have now entered a period in which many Third World debt-ridden countries are suffering very acute adjustment fatigue.

It has become evident that without additional external finance on the most generous terms, these countries of the South cannot emerge with the reformed structures on to the road to further growth. It is the responsibility of the multilateral financial institutions to provide this new resource. What is urgent is for the South and North together to achieve a decompression of the debt and its burdens.

I crave your indulgence to say a little more about the low income countries located mostly in Sub-Saharan Africa. Their problem is particularly worrisome because they have long exhausted the limit of their capacity to pay. As at 1987, medium and long term debt stood at over \$84 billion to which we have to add \$6 billion owed to the IMF and over \$25 billion in short term debt and trade arrears. Total debt stands at some \$115 to \$200 billion.

Since 1980, over twenty two rescheduling arrangements, held in over 47 sessions, have been struck with multilateral creditors; in addition, eleven countries have also rescheduled their commercial debt. These reschedulings are costly: in time, resources and terms. It is estimated by the World Bank that the eleven rescheduling agreements signed by Zaire in twelve years since 1975 have increased her total debt by 20 percent.

The structure of debt creates its own problems. Only 37.5 percent of total debt comes from bilateral sources, 20 percent from multilateral institutions and as much as 38 percent from private financial institutions. The service burden is even worse in its distribution because of the differential rates of interest and moratorium terms. Consequently, 40 percent of the total debt service of Sub-Saharan Africa in 1987 arose from private international financial institutions; it is estimated to climb to 51 percent in 1988 and drop back to around 40 percent until 1990.

For low income countries, therefore, nothing short of cancellation of all official debts can bring any relief. Even then, the efficacy of such cancellation is limited by the fact that already many low income countries have, in fact, stopped paying.

They are not paying not because they will not but simply because they cannot; what is needed is for them to assert or to have it asserted on their behalf by their stronger members of the South that because they cannot bear the burden, they will not pay. The change in nuance is significant because it will erase the debt from the books of creditor and debtor alike. There is still, however, the spectre of debt to multilateral institutions and worse still to private financial institutions. We have argued that debt to multilateral institutions must all be restructured on IDA terms to achieve minimum goals of net transfer to the countries concerned. Such restructuring must therefore be accompanied by additional financial assistance by way of grants or highly concessional loans. For debt to private financial institutions for which Africa needs at least \$5 billion per year to service, rescheduling on commercial terms will only compound the problem of the debtor countries. These debts are now being sold at a small fraction of their face value. Any rescheduling must seek therefore to take full advantage of the low market valuation of the debt. Ideally, all such debt should, after linking them to the market value, be rescheduled on IDA terms.

For middle income countries which now transfer 4 percent of their gross domestic product by way of debt service, it is obvious that this level of repayment leaves no room whatsoever for growth. The trade in private debt in the secondary financial markets has revealed to the banks the need for them to make substantial loan loss provisions. It is indeed the continued acceptance of these debts as obligations of the debtors that has kept most of the

creditor banks afloat. Yet the level of debt even after these provisions have been made, has not been reduced to reflect some of the realities of the market place. It is now imperative to reorganise the debts of these countries, taking into account their market value. It is not a matter of relief; rather, it is a matter of active appreciation of the market forces which have pushed the market value far below the face value. Any schemes for restructuring that do not take this factor into account will be less than realistic. Accordingly, we should welcome the new and audacious initiative of the Government of Mexico to buy back \$20 billion of its commercial debt at the going market value of 50 cents to the dollar with the backing of the United States Treasury. Unfortunately, there are not many Third World countries either with sufficient foreign exchange reserves of their own or with adequate sponsors to buy back much of their debt.

None of these measures, whether of repurchasing existing debt or of reschedulign them even on IDA terms, or of equity-swap, etc. can provide real or permanent relief unless the countries of the South have a plan to organise, consult and co-ordinate their actions to protect their interests. Their positions taken at various world fora have sometimes been conflicting and inconsistent, sometimes unco-ordinated. Voices emanating from UNCTAD, GATT, Group of 77, OAU, etc. need to be reconciled to forge a common denominator for dealing with the problem of debt.

What is required is not so much new ingenuity in financial engineering; each new option that is proposed turns out to be merely a variant of an earlier option already on the menu. What is required

is a new political will and leadership that, working in unison, can as it were, impose a comprehensive framework for the decompression of Third World debt. There is no reason whatever, except for fear of the unknown, why the large middle income debtors which include Nigeria cannot together champion the cause of their less fortunate brethren in the South to insist on the solutions I have advanced here. We cannot expect the low income countries on their own, even in concert, to successfully press their arguments on the titans of the North without a strong concurrence and show of support from their relatively more powerful brethren. This will be, indeed, the beginning of the solidarity in the struggle for economic independence that the weaker members of the South should expect from their stronger cohorts.

The haunting fear of reprisals by the industrialised countries of the North and their financial institutions may be real if the countries of the South act singly and singularly; but there can be no effective reprisals against all the South if the countries can act together. Indeed, the creditor countries will be obliged to accept the position of the South if the South is able to co-ordinate decisively. The South Commission will prefer a solution that is reached jointly among creditor/debtor countries, the latter group acting together. But if such a jointly acceptable solution cannot be found, the South must be prepared to act unilaterally to reorganise its debt to the level consistent with its growth requirements. Precedents abound of similar actions in the past.

We in the South Commission believe that our success in this question will be measured by the extent to which we can get the countries of the South to consult and co-ordinate with each other on debt management, procedures and policies.

In this search for a just and equitable relationship between the South and the North, the South Commission will draw on the resources of institutions, persons and organisations in the South as well as of those in the North that show adequate appreciation of the needs of the South. DAWN should therefore feel free to make known to the Commission, its views on the burning questions of the time as they relate to the status of women. We shall therefore await with interest the outcome of your deliberations at the on-going seminar.

PIUS OKIGBO  
NIGERIA, 1988.