

**Senate, Monday 6 December 1999**

**COMMITTEES: Foreign Affairs, Defence and Trade Committee: Joint: Report**

**Senator FERGUSON** (South Australia)(4.11 p.m.) —I present the report of the Joint Standing Committee on Foreign Affairs, Defence and Trade entitled *World debt: A report on the proceedings of a seminar*, together with the committee's minutes of proceedings. Ordered that the report be printed.

**Senator FERGUSON** —I seek leave to move a motion in relation to the report. Leave granted.

**Senator FERGUSON** —I move:

That the Senate take note of the report.

I am pleased to present a report on the proceedings of a seminar on world debt hosted by the Joint Standing Committee on Foreign Affairs, Defence and Trade on 27 August this year. The seminar was opened by the parliamentary secretary responsible for Australia's aid program, the Hon. Kathy Sullivan MP, and 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.

The debt of the world's poorest nations is an issue that all sides of politics have a great deal of concern about, a concern shared by many people in Australia and around the world. A petition of 385,000 signatures from Australians that was 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 a 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 a belief that debt and a failure to develop are intrinsically linked: highly indebted nations are unable to attract investment, nor 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 on 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 role that the Australian government can play in reducing the debt of developing countries is somewhat limited. The committee's 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 recognised the need for a fine balance between the monetary cost of the Jubilee 2000 proposals for debt relief and the human cost of doing nothing and the debt crisis continuing. It is on this basis that the committee recommended the government's continued support for 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 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 and agree to meet HIPC conditions.

Despite the IMF proposal to revalue some of its 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 that the Australian government give consideration to additional contributions towards the HIPC Initiative, in line with Australia's levels of obligation to the IMF and the World Bank.

We also recommended that the Australian government give consideration to increasing substantially the current levels of Australian official development assistance. This recommendation is consistent with the government continuing to endorse a ratio of 0.7 per cent of GNP to be spent on development assistance. During the seminar we also heard of the problems with putting any conditions on granting debt forgiveness. It was made clear to us that the problem is a serious one, and the committee recommended that the government negotiate a form of conditionality which will prevent the expenditure of these funds on military equipment or corrupt practices.

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 the material conditions of people, along with basic policies and robust institutions that are essential to growth. In conclusion, may I commend the work of Jonathan Bonnar from our committee in putting this seminar together and his efforts in formulating the report. I commend the report to the Senate.

Question resolved in the affirmative.