As members of the Group of 8 (G8) meet this 7-9 of July this year in Toyako, Hokkaido, Japan for its traditional meeting, it will be reminiscent of the historic White House Library meeting held in 1973 by some of the world's most powerful nations, a meeting which many see as the precursor of the G8.

Against the backdrop of an economic turmoil during that time, finance ministers of the United States, West Germany, France and Britain gathered to discuss ways on how to develop and implement solutions to the then unrestrained economic crisis characterized by the first oil crisis which was exacerbated by global unemployment and inflation.

At the present, the G8 is composed of the US, UK, France, Germany, Italy, Japan, Russia and Canada representing 65% of the world's total income measured by gross domestic product (GDP) and majority of global military power as seven of the G8 members are in the top 8 nations for military expenditure worldwide. While the group has no permanent structure, tenets, secretariat and unities, it is seen and defined as a global configuration of "world leaders" offering a variety of solutions to the world's problems.

Full Circle

Thirty-five years of G8 and the Dominance of Illegitimate Debts

By the Freedom from Debt Coalition (FDC)

The Continuing Crisis

However, thirty-five years have passed since the first gathering; the exclusive grouping of the most powerful nations of the planet will be meeting not in the background of prosperity and uninterrupted growth and development, but against the climate of the same if not a worse economic milieu.

Today, the world's economy is in direr straits more than ever. Not yet recuperating from a phenomenal financial crisis which started from the United States' subprime crisis, it was aggravated by an international food insecurity problem coupled with a global oil crisis. At top of this, the world is bracing itself if not trying to prepare for the environmental blitz of global warming.

In this background, under the banners of food security, climate change, debt relief and free trade, the 2008 G8 meeting in Japan will try to find ways out of this modern economic crisis which many social movements including this one see as chronic, endemic and the result of a flawed economic development paradigm.

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Yet, despite G8, having situated itself as the center of global governance, its representation and legitimacy is in question.

Likewise, its role and effectiveness in curbing this economic debacle is heavily criticized not only because it failed repeatedly to make significant dents against poverty, in redistributing wealth or in broadening economic opportunities to poor nations, but also because the flawed development architecture which was widely blamed for all these economic transgressions was in fact designed and implemented by G8 itself.

G8: A Long History of Debt Domination

Debt and Cold War

The G8 is also widely blamed for saddling many developing nations to a life of forced indebtedness. While G8 traces its roots to the 1970s economic turmoil during which the Bretton Woods monetary system collapsed and the world had its first oil crisis, much of its chronicles is a long history of debt imposition and domination.

Bur prior to its official founding, the role of the originators of G8 such as the United States in plunging half of the world into a debt trap goes back as early as the cold war. During that time, loans were thrown left and right not because of sheer economic reasons but primarily due to prevailing geopolitics involving the United States and Communist Russia[1]. The US government afraid that developing nations will slide to communism, supported its governments with total disregard whether they were democratic or dictatorships, as long as political loyalty resides with the western world.

As a result, many third world dictatorships as well as neocolonial regimes received extensive debt-based financing which ended up not only in corruption but much worse in the funding of repressive actions against their own population. These transgressions happened under the auspices and the backing of western governments, many of which are now members of G8.

Oil Crisis

The first oil crisis was considered the Pandora box of the developing nations' debt quagmire. Due to the unabated increase of oil prices, international financial institutions lent hastily to many poor nations without any consideration on how the loans will be used or repaid or if the debtor country has the capacity to pay in the first place.

This gross irresponsibility of lenders was further provoked by the leading industrial nations' effort to curb an economic crisis brought about by the collapse of the Bretton Woods monetary system, which caused panic in the international arena.

Yet, the irony of this, a large part of the loans shoved to developing nations where in fact OPEC funds generated by the oil crisis which were deposited to western banks.

[1] Hertz, Noreena. The Debt Threat: How Debt Is Destroying theDeveloping World .and Threatening Us All. 2nd ed. Harper Collins,2006.

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Debt Overhang and Structural Adjustments

As the debts of poor nations pile up, by 1980s due to massive lending, the threat of default became real with Mexico shocking the lending community with its non-payment of debts. G8 through bilateral discussions introduced the Brady plan and the Heavily Indented Poor Countries (HIPC) schemes aimed not at giving due resolution to the debt crisis but to fundamentally insulate the international lending community and the entire financial system from defaults and further exposures through restructuring and securitization[2].

Furthermore, financial institutions introduced prescriptions to capacitate debtor countries to repay their debts by embracing the primacy of private and corporate interests (citation needed) through specific structural adjustment programs (SAPs) which ushered in the era of the neoliberal triumvirate: the **privatization** of essential services, the **deregulation** of the market, and uninterrupted capital mobility through trade **liberalization**.

However, the following prescriptions led to the drastic reduction of social spending of poor nations' governments and the refocusing of their total economic output towards direct export and resource extraction. This primarily signaled the dominance of an export-oriented economic model to many developing nations and the blatant decision of nation-states to default from the management and regulation of the macro-economic sphere leaving it to the dictates of the market and foreign capital.

In due course, this new era marked the end of "inefficient" government incursion to economic activity and the birth of laissez fairre globalization and neo-liberalism.

The 2005 Debt Cancellation

While G8 marked the new era as the triumph of free trade and the broadening of markets close to realizing equitable development, a large part of the world is sill saddled with burdensome debts.

As of the moment, according to the Jubilee Debt Campaign, the total debt stock of developing countries amounts to an astounding $2.7 trillion while the poorest countries pay the northern countries' governments $100 million in debt repayments everyday[3].

This continuing debt ignominy mainstreamed by the growing global protest by international debt and development activists forced the G8 countries in 2005 to formally address the issue as a group by calling for the total cancellation of IMF, World Bank and African Development Bank debts to 18 poor nations which have completed the HIPC program.

[2] From Bad Debts to Healthy Securities? The Theory and Financial Techniques of the Brady Plan, Dr. Walter T. Molano, Director of Economic and Financial Research, SBC Warburg

[3] Unfinished Business: Ten Years of Dropping the Debt, Jubilee Debt Campaign May 2008

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Subsequently, 10 other developing countries can avail of the said cancellation initiative once they have finished undergoing the HIPC program. The said debt cancellation covering 18 nations amounts to $ 40 billion enabling debtor countries to save a combined total of $1.5 billion a year in debt repayments[4].

Furthermore, G8 stated that twenty (20) more countries with a total $ 15 billion in debt would be qualified for debt relief if they meet specific targets on fighting corruption,

completed their HIPC programs and continue to fulfill if not adhere to structural adjustment conditionalities. This came to be known as the Multilateral Debt Reduction Initiative (MDRI) which is styled as an extension of the HIPC scheme.

Sure enough, this initiative was hailed as groundbreaking and unprecedented. It was reported to even surpass the expectations of many political pundits because it went beyond the original proposal of the United Kingdom which would have only written off ten years of debt payments and which did not include IMF debts[5].

Too Few, Too Little

But while undeniably a historical move on the part of G8 and an initial victory for developing nations, the truth of the matter; it falls too short of what is actually needed.

For one, the cancellation is tokenism at its best. It is but a small portion of the total illegitimate debts of developing nations. Second, Jubilee South said it best when it stated that the continuation of structural adjustment policies of other countries in exchange for debt relief simply outweighs the benefits of debt cancellation. Ultimately, it will be a re-imposition of G8 through its financial institutions of more economic conditionalities such as privatization and new loans while paying false tribute to philanthropy, goodwill and debt cancellation.

Moreover, while the inclusion of IMF debts in the cancellation may have surprised the skeptics, G8's proposal failed to include all the lenders. Proof of this, Asian and Latin American nations covered by the G8 initiative will still shoulder (Asian Development Bank) ADB and Inter-American Development Bank (IDB) debts. Bolivia, Guyana, Honduras and Nicaragua, countries which qualified for the G8 Debt deal will still pay almost $1.4 billion in debt service in the next five years to the IDB.

Lastly, G8's debt cancellation is selective and primarily based on the flawed HIPC model in gauging whether a country aptly deserves debt relief. It blatantly left out many developing nations long suffering from forced indebtedness an example of which is the Philippines.

G8 and the Philippine Debt

[4] Cautious welcome for G8 debt deal, BBC News 2005

[5] Assessing the G8 Debt Proposal & Its Implications Sep 21, 2005 By Soren Ambrose Solidarity Africa Network in Action (Nairobi, Kenya) & 50 Years Is Enough: U.S. Network for Global Economic Justice (Washington, DC, USA)

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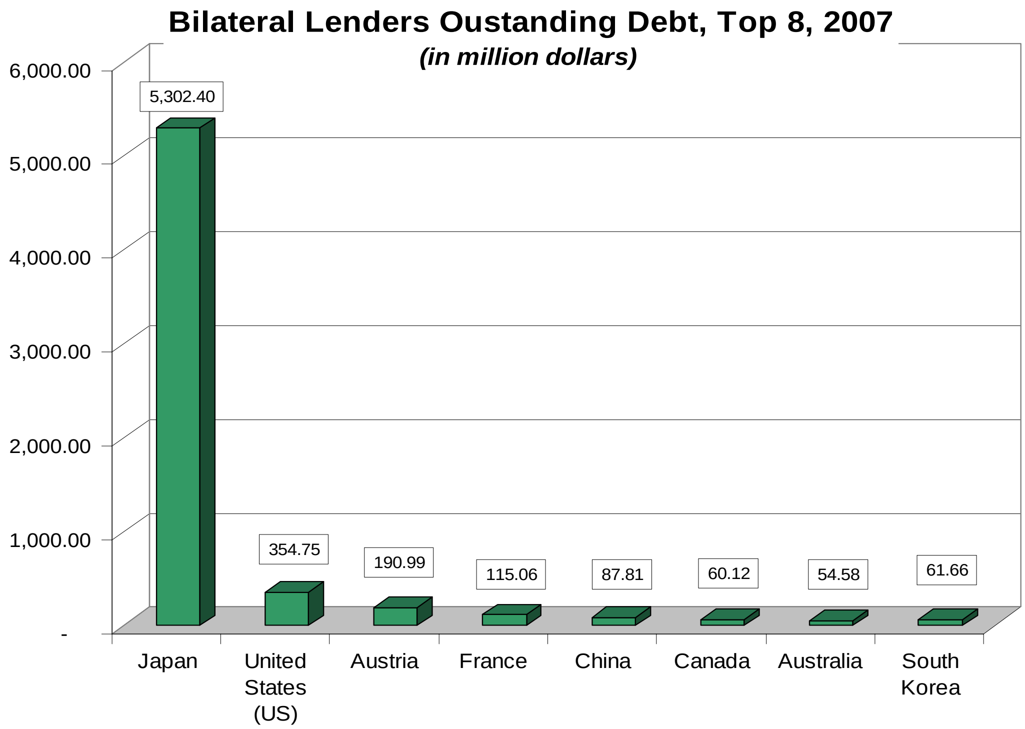
The G8, concomitantly dominant in the global financial system, had been responsible for a large part of the long-standing Philippine foreign debt problem. As of 2007[6], out of the top six foreign bilateral outstanding debts of the Philippine national government, four are owed to members of the G8, namely Japan (US$5.3 billion, Top 1), United States (US$354 million, Top 2), France (US$115 billion, Top 4), and Canada (US$60 billion, Top 6).



But that's not all. The Philippine national government also owes Multilateral Financial Institutions huge amounts. These institutions, if we are going look more closely, are controlled by G8 countries, serving as multilateral fronts of their unilateral, national interests. As of 2007 for example, the government owes the ADB, which is controlled 39.6% controlled by seven of the G8 countries (except Russia, with Japan and the United States having the largest stake at 12.756% voting power each), a total of US$2.93 billion.

[6] From the Budget of Expenditures and Sources of Financing (BESF) for Fiscal Year 2008, a budget document of the Philippine Department of Budget and Management (DBM).

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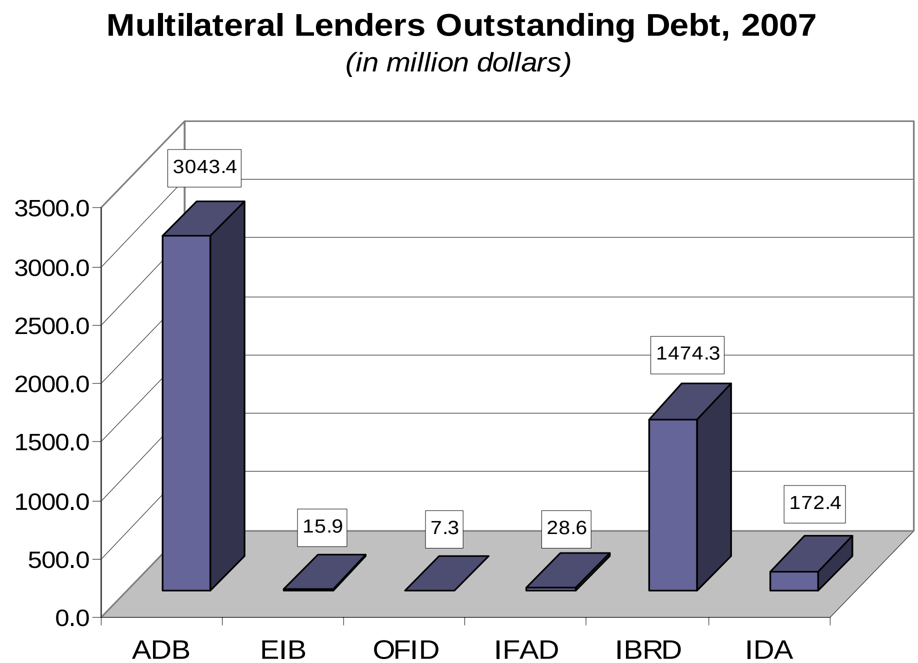

The government also owes the International Bank for Reconstruction and Development (IBRD, a World Bank Group member), which is 45.67% controlled by the G8 countries (Japan and the United States having 16.38% and 7.86% voting powers respectively), a total of US$1.3 billion. As for commercial loans, debts to Deutsche Bank of Germany, another G8 member, tops the list, at US$347 million.

"Economic Colonizers"

Truly, the G8 had become to most, a symbol of what caused the virtual demise of the Philippine economy, rooted to the fact that much of Philippine history vis-à-vis the G8 had been that of continuing domination and exploitation starting with the American colonization and Japanese occupation of the early 20th century.

From the United States' dominance of the Philippine economy through "parity rights"[7] which led to product dumping, to the WTO-backed trade liberalization reforms during the mid-1990s which led to deindustrialization and unemployment up to the present Japan Philippine Economic Partnership Agreement (JPEPA) which threatens to harm the Philippine environment and open-up our seas to Japanese exploitation, our colonizers never really left our islands.

No less than the Philippines' Supreme Court Chief Justice Reynato Puno said that the country is being ruled by "economic colonizers" who were depleting the nation of its

[7] Equal treatment to American and Filipino investors.

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resources, dictating its political and economic actions, forcing it into disadvantageous agreements while plunging it into "hard to repay" foreign loans[8].

Japan in Focus

And this is not without basis. One just need to look at the Philippines' long list of loan agreements to know that we are in fact still a colony—that is a modern-day colony of foreign powers using modern ways to control and subjugate. Though it is very inopportune to note that some of such loans had been marred by corruption, the truth is, many of these debts were used to fund flawed projects which duly undermined the people's interests, welfare as well as their communities and the environment in general.

Worse, it also brought forward harsh conditionalties to our economy gravely re-orienting our policies according to their whims and economic framework.

Even as other G8 members are equally responsible for subjecting the Philippines to its long and enduring debt problem, it is interesting to note that some of our glaring illegitimate debts and painful conditionalities were pushed to us by a close Asian neighbor—Japan, the host of this year's G8 summit.

Illegitimate Japanese Debts

Using different financial institutions, Japan contributed to our further slide to the deadly spiral of debt by shoving to the Filipino people illegitimate loan agreements that eventually ended up as unnecessary debts which add up to the already bloated debt profile of the country.

[8] http://newsinfo.inquirer.net/inquirerheadlines/nation/view/20080613-142379/Chief-Justice-Puno-We-see-two-faces-of-freedom

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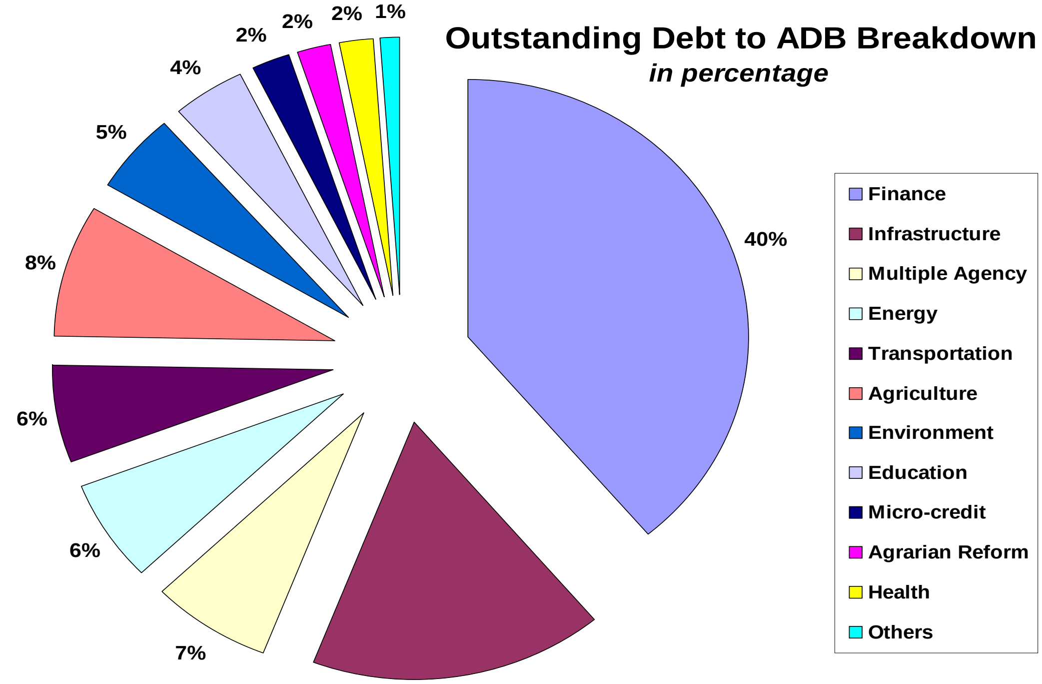

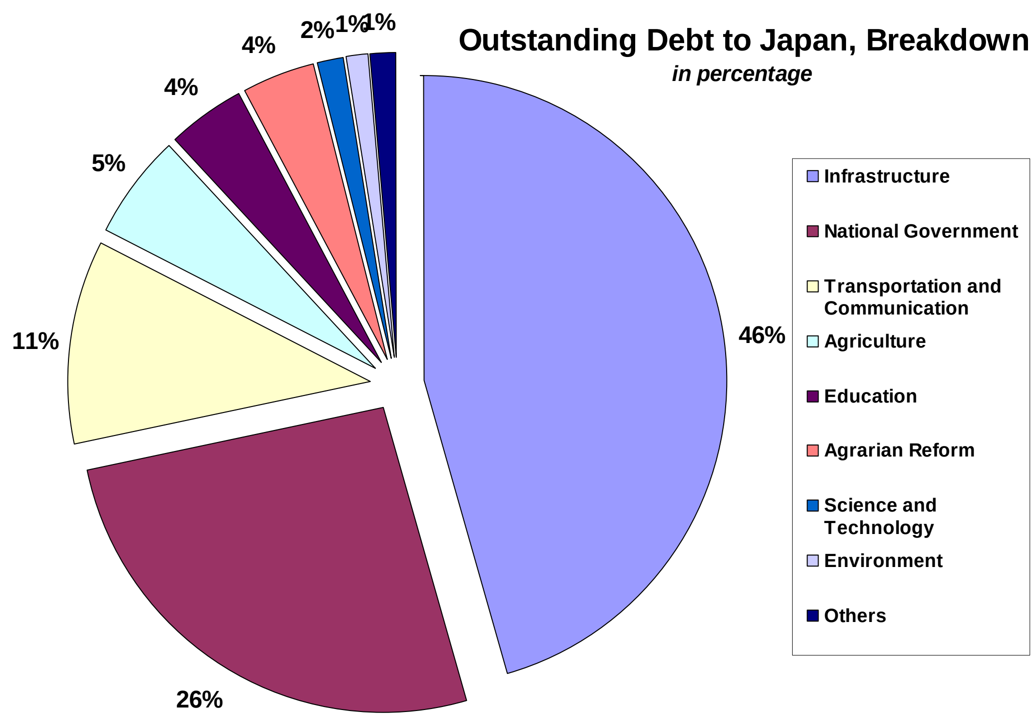

As of end of 2007, our biggest multilateral debts are owed to the Asian Development Bank (ADB) amounting to $ 3.04 billion while our largest bilateral debts are also owed to Japan amounting to a staggering $ 5.3 billion.

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A quick breakdown of these loans will show us that close to 50% of multilateral loans went to financing or increased budget followed strongly by infrastructure and energy support. On the other hand, majority of bilateral debts from Japan is in the form of infrastructure while the rest goes directly to the national government and increased social spending.

However, according to FDC's study and investigation on specific illegitimate debts, it was exposed that there are a lot of Japanese debts that are challenged as onerous, anomalous if not blatantly illegitimate. We will be discussing two of these cases.

The Bohol Irrigation Project Stage 2

The Bohol Irrigation Project Stage II involves the construction of a 35.5 m. high earth fill dam across Bayongan River in the Bohol province, which aims to irrigate some 5,000 hectares of rice fields in the towns of Ubay, Trinidad and San Miguel by providing drainage, road network, development of on-farm facilities including land development, and water management plan including water measurement and communication network.

The project was funded by the Japan Bank for International Cooperation (JBIC) using two loans, with loan accounts PH-P202 and PH-P063 [9] and is acclaimed as the country's biggest irrigation project.

However, the project is seriously challenged to be a wasteful and outrageously expensive, notwithstanding the fact that it is marred with a number of anomalies[10]. No less than the former National Economic Development Authority (NEDA) Secretary Romulo Neri said the BHIP-2 is grossly disadvantageous to the government since it incurs over PhP 1.2 billion of additional costs beyond its approved budget for contract which is P2.4 billion. Yet, JBIC pushed the awarding of the contract in spite of the higher costs.

Moreover, it is also suffering from serious legal infirmities. According to Neri, the continued construction of BHIP-2 is illegal as it is operating without the approval of the NEDA Investment Coordination Committee, the committee that validates the soundness of a certain project.

There were also charges of corruption. The BHIP-2 manager reportedly admitted that the National Irrigation Administration (NIA) acquired seven vehicles in 2006 amounting to PhP 15 million, two of which were given to Gov. Erico Aumentado, using funds from the irrigation project.

The San Roque Multi Purpose Project

During the early 1990s, the government of President Fidel V. Ramos eager to solve the power outages decided to fast-track the sourcing out of energy supply from Independent Power Producers (IPPs) financed by foreign creditors to generate more electricity. One

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[9] From the data of Official Development Assistance Monitoring System, National Economic Development Authority (NEDA).

[10] Bagaipo, Kit (2007, August 1). BHIP-2 execs liable for illegal fund use. The Bohol Chronicle.

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of this is the San Roque Multi-purpose Project (SRMP), an ambitious irrigation, power, and flood control project in Pangasinan.

This was financed by the Japan Export-Import Bank (JEXIM) now known as the Japan Bank for International Cooperation (JBIC). The said financing amounted to US$ 302 million to the private consortium handling the project, the San Roque Power Corporation (SRPC).

JEXIM also approved a US$400 million loan to finance the National Power Corporation's (NAPOCOR) contribution to the project, but delayed the release of the last portion of the loan due to concerns on public acceptance. To resolve the situation, the Ramos administration borrowed from Citibank at commercial rates.

But like many IPP projects which took undue advantage of the people's disgust with the power crisis, the San Roque Project is marred with serious legal, technical, and financial infirmities not including its debilitating environmental and social costs.

Attesting to this claim, the project and its financing was deemed illegitimate as JBIC violated its own policies when it allowed the loan transaction to be implemented even if it failed to secure the preconditions it set to the National Power Corporation (NPC) in 1999. These conditions were:

1. To confirm the number of people who will relocate from in the reservoir area and secure the consent from them;
2. To conduct consultations and surveys to identify other affected people (including the Indigenous Peoples) and confirm their number;
3. To secure remedies for all affected people (including the proper consideration for the Indigenous Peoples);
4. To establish monitoring system for the environmental and social issues

The entire SRMP financing was disbursed (completely in January 2005) despite the SRPC not being able to satisfy these preconditions.

Second, the contract was grossly disadvantageous as the government virtually shouldered all the important and significant operational responsibilities of the project such as:

- Make the Site available to the Operator by the Effective Date (Feb. 23, 1998). This includes obtaining registered legal title to all parcels comprising the Site, all necessary governmental permits and rights to use in order that the SRPC shall have peaceful and exclusive possession of the site from Feb. 23, 1998 to the time the project is transferred to NPC or the government. (Art. 2.9.1);
- Construct, maintain, and if necessary repair the access roads from the Effective Date to the time it is transferred to the government (Transfer Date). (Art. 2.9.2);
- Install, connect and maintain the transmission lines... [Art. 2.8.2 (ii)];
- Obtain and maintain all Water Rights necessary for the construction, testing, commissioning and operation of the Power Station for the period from the Effective Date to the Transfer Date. [Art. 2.8.2 (ii)];
- Ensure community livelihood and development activities (Art. 6.8); and

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It defeats the purpose private sector involvement, as responsibilities were not relegated to private hands which should have freed the government from additional costs and tasks thereby compelling our government to shell out more what is already needed.

Moreover, the company that managed and implemented the project – the SRPC is a private consortium controlled by the Japanese trading company Marubeni Corporation (41%), a subsidiary of S-based energy company Sithe Energies, Inc., the Sithe Philippines Holdings, Inc. (51%)[11], and a Japanese Utility company Kansai Electric (7.5%) – making it 100% foreign-owned and thus in direct violation of the Philippines' constitutional provisions on national patrimony (Article 12, Section 10).

It is clear that the project is direct infringement of Philippine sovereignty opening our country to become the playground of foreign capital while subjecting us to onerous debts.

There are a lot more issues thrown to the project such as the environmental dilapidation and social impacts caused by the project clearly establishing itself as an illegitimate debt.

Japan/G8-assisted Privatization

Power Sector

Yet, Japan is not only contributing in our prejudicial accumulation of more illegitimate debts, it's role in re-orienting our economic policies and framework is significant. In the power sector alone, ADB dangled one of the Philippines' biggest multilateral loans in order to reform the power sector towards private sector control.

ADB released US$300 million for the Power Restructuring Program (PSRP) Loan in 1998 and 2001 to ensure the passage of the Electrical Power Industry Reform Act (EPIRA), the law which mandated marketization and open access of the whole electrical industry. As a result, the country has the second highest electricity rates in Asia and one of the highest in the world while saddling the Filipino people with debts as much US$ 192.7 billion because of the PSRP.

Water

Not satisfied with its incursion with the power sector, ADB played a fundamental role in guaranteeing the privatization of Metro Manila's water supply and sanitation system.

One of the eight water projects funded by the ADB, the Umiray-Angat Transbasin Project (UATP) has an accompanying advisory technical assistance (TA) grant amounting to US$ 582,000 to introduce private sector participation in the operation and management of Metropolitan Waterworks and Sewerage System (MWSS) activities.

Food

[11] Twenty-nine percent (29%) of Sithe Philippines is owned by Marubeni in 1996. In November 2003, Marubeni obtained 100% of all the shares.

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The G8's 2008 Meeting in Japan is full of rhetoric towards achieving food security. However, no resounding lip service and posturing can deny the fact that this exclusive group of wealthy nations is the culprits of the current food crisis.

A case in point, Japan, a G8 member forged an agreement with the deposed Estrada government to implement the Grains Sector Development Program (GSDP). The program is an integrated package of policy and institutional reforms, sectoral investments and advisory Technical Assistance designed to privatize the state-owned National Food Authority (NFA) while liberalizing grain trading and encouraging greater private investment in the food and grains sector. As conditionality, it forced the compliance of the government to all international trade agreements on corn-tariff reduction.

Because of this perspective, from being a net exporter of rice in 1968, a year after ADB was setup in the Philippines, it disincentivized local rice and food production, bowing to cheaper imported commodities, virtually destroying the local food industry and thereby reducing the Philippines from a rice exporter to a mere importer.

The Philippine Malaise: The Enduring American Domination

While it may be fashionable to lambast Japan for its role in the proliferation of illegitimate debts as it is the host of the 2008 G8 Meeting, the United States' responsibility and influence in shaping this current situation must not be understated or viewed as waning.

The United States aside from being the unchallenged leader of the G8 is also representing the majority of funds in the World Bank, majority of votes in the International Monetary Fund (IMF) and wielding the exact donor influence and voting rights as Japan in the ADB.

In the Philippines alone, it accounts for the second biggest bilateral debts and second on multilateral loans coming from IBRD and IDA (International Development Association), members of the World Bank Group. But not excluding its equal share with the ADB, the US will definitely dominate the Philippines' multilateral debts.

Clearly, multilateral institutions like the ADB are from being regional and autonomous lending institutions. They are in fact open and very much malleable to the dictates of G8 in the same breath as the World Bank and the IMF with American interest in the lead.

The same can be said of the increasing European intrusion to the Philippines' fiscal system through its own share of burdensome loans.

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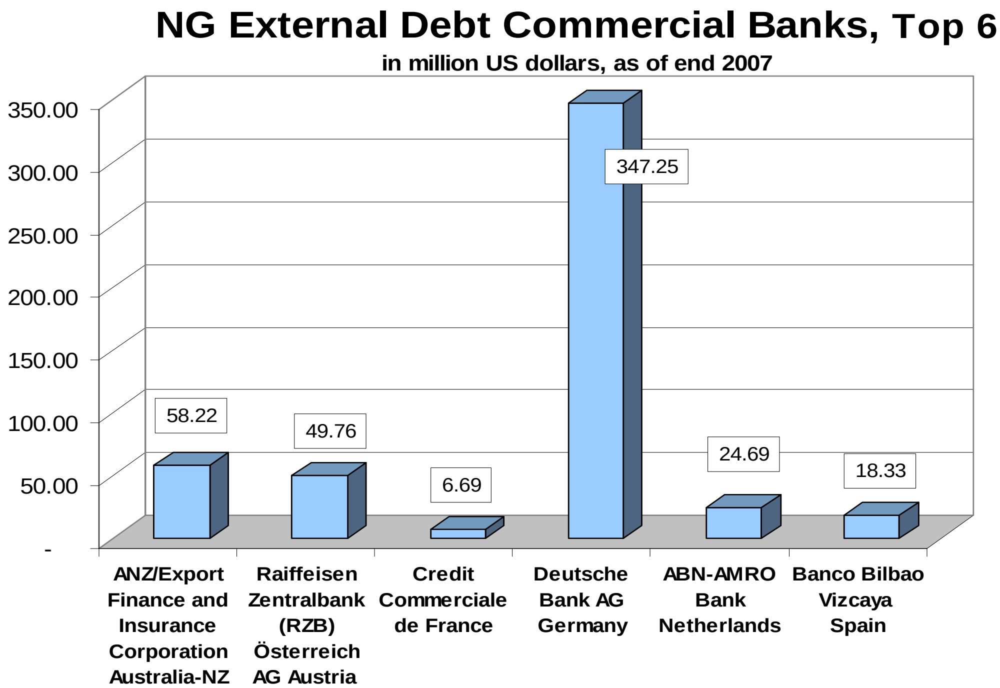

Of the Philippines' National Government debts to commercial banks, the two biggest lenders are Germany and Austria, all members of the European Union (EU).

In the 2008 National Government Budget, FDC together with other social movements convinced Congress to suspend interest payments for loan agreements challenged as fraudulent and anomalous. The German funded Philippine Merchant Marine Academy Modernization (PMMA) Project and the Austrian Medical Waste Incinerator Project, all bilateral loans which Congress itself identified as illegitimate were included in the suspended list of debt cases.

G8 Debts at all Fronts

Clearly, far from being a group supposed to be the center of global governance and provider of economic solutions, the G8 is in fact a powerful group that promotes further inequality and maldevelopment to developing nations through loan pushing accompanied with stiff economic conditionalities.

They are present in multilateral, bilateral and commercial loans. They control multilateral institutions and regional financial instruments; they are also very influential in reshaping our economy's fundamentals through structural adjustment policies all in the name of free market and private control virtues.

Obviously, for a group that has no legitimacy, no global mandate and no support from the majority of the world's nations, this elite and exclusive club of wealthy nations wields such enormous powers even to supposed institutions of global governance which have the task of checking such excesses.

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But this group is not invulnerable as some may think. Through the years, the group together with its array of institutions, for instance the World Bank and the IMF, has suffered a multiple crises of legitimacy and relevance. More and more developing nations instead of heeding their prescriptions have bonded together to form their own groups based on collective interest and demands not enshrined and accommodated by G8.

This is the same reason why G8 suddenly introduced the debt cancellation scheme of 2005. While it may be viewed as a fake concession to save the global financial system and the eroding reputation of its lending institutions, it is in fact a reaction to the growing call of global movements demanding the all-out cancellation of all illegitimate debts.

Total and Unconditional Debt Cancellation

The reason why the debt cancellation scheme of 2005 had been discredited is that it has been limited to the issue of "debt sustainability", a framework that, in most aspects, found limited and limiting. It is for this reason that people's movements around the world elevated their call of debt cancellation from the one anchored on the basis of debt sustainability to one anchored on the sharper "illegitimacy of the debt", bringing forward the discourse on global social justice and the South-as-creditor campaign line based on the historical exploitation of the South by Northern countries.

Thus, the G8, as it had been compelled in 2005, must again be constrained to declare debt cancellation, but this time, a 100% total and unconditional debt cancellation of all indebted countries.
An immediate stop on the imposition of conditionalities on debt relief must also be pursued coupled with a reversal of specific privatization programs, for example, national governments must begin reclaiming public utilities that had been put in the hands of the private sector and put them under people's control. Same is true for the deregulation and the liberalization program,

The G8 must also be forced to launch a program for a comprehensive audit of all lending multilateral, bilateral, and commercial owned and/or controlled my members of the G8, such as the World Bank Group (IBRD, IDA, International Finance Corporation [IFC, the private sector arm], Multilateral Investment Guarantee Agency [MIGA, the Export Credit Agency arm], and the International Centre for Settlement of Investment Disputes [ICSID]), the ADB, the IMF, the Export Credit Agencies (ECAs), and commercial banks such as Deutsche Bank.

Furthermore, debt cancellation must not be counted as official development assistance (ODA) with the end view that increased aid and financial assistance to developing nations must be absolutely grants as reparation, political admission as well as redistributive justice for the social costs endured by many poor nations under a long and crippling debt regime.

Full Circle

The G8 is more than three-decades old. From its inception amid the background of a tumultuous economic climate, G8 will be meeting once again under the same if not worse condition. This is not simply déjàvu. The successive economic crises that G8 itself

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has created and tried in vain to abate for so many years have taken full circle. Its paradigm of economic development has been discredited, its role as the center of global governance is increasingly being challenged and its responsibility in plunging poor nations into an anarchic sea of debt is well established.

Amid the grueling global economic crisis, international and national debt and development movements must make the resounding call: We owe you nothing. You owe us everything! We are the real creditors!

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