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May 26, 2005

Pat Adams & Larry Solomon  
 193 Howland Ave  
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Dear Ms Adams & Mr Solomon:

The devastation caused by the Third World's debt is finally getting the attention it deserves. Many of you will have read in the newspapers about the plans of world leaders to finally forgive the world's poor of the dreadful debt they have been burdened by. But why are the lenders – mostly northern governments and their agencies, such as the World Bank and IMF – suddenly arguing for debt forgiveness when before they so stubbornly argued that Third World nations must repay their debts?

Why? Because the citizens, the press, the judiciary, and law-makers throughout the Third World, many of them in nascent democracies, are arguing that many of the debts they have inherited were incurred by dictators and used for ill-conceived projects. At best, the projects were chosen more as vehicles for corruption than as generators of wealth, at worst, they were chosen to oppress the people. In short, these debts are odious in law and not legally enforceable because they were not used in the interest of the people.

Just, listen to the voices of the people.

In Iraq, public opinion is all-but unanimous that the Iraqi people are not responsible for the debts incurred by the regime of Saddam Hussein. Iraq's main creditors – Western governments – tried to appease Iraqis by offering an unprecedented level of debt forgiveness -- 80%. The Iraqi National Assembly rejected the offer, arguing that they didn't accept responsibility for even the remaining 20% of the debt that they would be asked to repay.

In Argentina, the Argentine courts condemned the illegitimate debts amassed under the military Junta from 1976 to 1983. Using these court findings, Argentinean Congressional members challenged recent efforts to repay the foreign lenders to the regime, which they argue breached the Constitution of the Argentine Republic. These Congressional representatives also want to declare Argentina's debts odious.

In the Philippines, Senator Manuel Villar, chairman of the Philippine Senate committee

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on finance, has introduced the Debt Relief Act to facilitate “cancellation of odious debt or restructuring of debts or both to ease debt payments.” The Philippines’ staggering debt load largely stems from the corrupt administration of former president Ferdinand Marcos. When Marcos came to power in 1966, the Philippines’ debt stood at just under \$1 billion. When he fled in 1986, it had soared to \$28 billion.

In Indonesia, anti-corruption and environmental groups are pressing the government to investigate the corrupt use of \$25 billion in World Bank loans by the regime of President Suharto. The groups want independent audits with which the country could appeal to the international court system and compel the World Bank to write off the estimated 30 percent suspected of being used corruptly. “It isn’t fair,” the groups said. “We still have to pay back the entire debt burden left by the regime ... the World Bank must also take responsibility for being aware of the practice, but failing to take serious measures (against it).” Many World Bank-funded projects failed to deliver promised benefits, they say, citing the example of the \$166 million Kedung Ombo dam project in Central Java, completed in 1989 (and opposed back then by Probe International). The project forced 5,390 families off their ancestral lands into government resettlement areas. The World Bank later admitted that the resettlement plans for the villagers left 74 percent of families with a lower standard of living and the country saddled with the debt.

In Africa, a new generation is championing the truth.

Aminatta Forna – daughter of Mohammed Forna, a Sierra Leone cabinet minister who was executed under the notorious dictatorship of Siaka Stevens – described how Western lenders encouraged government spending sprees in Africa, despite evidence of corruption and mismanagement. Forna, now a journalist, said when her father resigned his post as finance minister in the early 1970s, he detailed instances of corrupt deals with Western lenders for loans involving suspect development projects that directly contravened agreements with the International Monetary Fund and the World Bank. Mohammed Forna’s resignation letter, published in Sierra Leone’s national press, warned that the loans could never be repaid and urged Western nations to cut off Stevens’ spending spree. The letter went unheeded by creditors, Aminatta Forna’s father was hanged, and Siaka Stevens continued to subvert foreign funds. “In Sierra Leone and other countries, debts were racked up knowingly by African ministers and Western lenders in the full knowledge that they would not be repaid. This was not mere irresponsible borrowing, but planned larceny,” says Ms. Forna.

In Nigeria, parliament passed a non-binding resolution in March demanding the country suspend repayment of its US\$35-billion foreign debt, the highest of any African nation, because Nigeria's economy had been “devastated by a series of military regimes from 1984 to 1999, who stole billions of dollars from state coffers.” The Economist magazine supports them, saying “since Nigerians did not choose these regimes, it seems unfair that they should have to repay the loans that foreigners were foolish enough to make to them.”

And from a Kenyan editorial comes this challenge:

*Just look at us! Rather than trust accounts, our children inherit debt. Instead of being children, they are saddled with adulthood, fetching firewood instead of doing homework and heading households when they should be schooling. Our adults wear pride and bravery as many struggle on less than a dollar a day – something unaffected by the desire to work or worse yet, tireless toil. We spend millions – multiples of healthcare costs servicing debts while our sick languish at home with bare cupboards, dirty drinking water and no medicine. And yet, we are the norm – an example of others slowly dying under debt incurred by governments, largely squandered by officials and then paid for by the masses – the same individuals not consulted or allowed to benefit from such undertakings....*

*Kenya, too, can uphold the argument that her debt should be waived because it's odious; debt accrued under a dictatorship. Should it not matter that it was incurred under a leadership notorious for corruption and embezzlement – something our lenders were fully aware of when they extended us such credit? There are as many fingers as there is blame to go around on this one, further stressing that our ongoing debt problems are not of our making alone and that somewhere along the line, these loans have more enhanced than alleviated poverty. Did you know that we are on the only continent to have grown poorer in the past 25 years? While in 1970 Africa housed 10 per cent of the world's poor, it was home to about half the world's poor in 2000. Of what good have the loans been?*

What good *have* the loans been? The loans, by and large, did not serve the interests of the people of the Third World. The loans served, instead, the interests of unaccountable Third World leaders who lined their own pockets and those of their cronies and they served our politicians who could tie their loans to contracts for their favourite firms back home.

But now, the people of the Third World who have suffered from this odious lending for decades, are rising up to say they don't believe they are responsible, in law, to repay these debts. This momentum to challenge the Third World's odious debts is building day by day. So much so that western countries are growing worried that their loose lending will be exposed under international odious debt arbitration, ending their claim to repayment. To stave off this threat, our politicians are now eager to forgive past Third World debts, to appear magnanimous while burying their mistakes.

But debt forgiveness would only let negligent lenders and corrupt borrowers off the hook. Instead, to stop lenders and borrowers from creating a whole new generation of unpayable debt, we should demand a moratorium on Third World debt payment until public audits of all claims can be evaluated. Legitimate debts spent in the interests of the people should be forgiven if countries are too poor to repay them. Illegitimate debts

should be deemed "debts of the regime" that fall with the fall of the power that incurred them, as put by Alexander Sack, the legal scholar who coined the Doctrine of Odious Debts.

Back in 1991, Probe International breathed life into a long forgotten 1927 legal treatise when we published *Odious Debts: Loose Lending, Corruption, and the Third World's Environmental Legacy*. In the last 15 years, *Odious Debts* has been translated in Latin America and Indonesia, and has inspired lawyers, civil activists, and now lawmakers across the Third World. We have made the book accessible to all by posting it on our Web site, [www.odiousdebts.org](http://www.odiousdebts.org), making both the book and Web site *the source* for history, legal theory, and activism on odious debts.

The power of the Doctrine of Odious Debts is spreading across the world. Please help it spread even further, and help bring justice to the Third World for past wrongs, with a donation to our odious debts work.

Yours sincerely,



Patricia Adams  
Executive Director

Author, *Odious Debts: Loose Lending, Corruption, and the Third World's Environmental Legacy*.

P.S. I would be happy to send you a copy of my book and also my recent paper *Iraq's Odious Debts*, which spells out just how the Iraqi people – and by extension all Third World citizens – could challenge odious debts. Just let me know by e-mailing me at [patriciaadams@nextcity.com](mailto:patriciaadams@nextcity.com) or by sending me a note in the enclosed postage paid envelope.

**I support Probe International's efforts to bring justice to the Third World.**

Here's my tax-creditable contribution to help Probe International in its efforts:

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