

Open Letter to the G7 : No more false debt solutions!

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An Open Letter to the Governments of the Group of Seven States on the occasion of their 49th Summit, Hiroshima, Japan

Excellencies,

As you, leaders of seven of the world's richest countries convene for your 49th summit, many Asian countries of the Global South are gripped more tightly than ever in a multiple crisis of development and climate change. Yet the level of development and climate finance needed for survival and beyond, remains far below what is required to undertake deep, wide and transformative changes for people and the planet.

There was a momentous opportunity for your governments to step up in 2020 at the onset of the COVID-19 pandemic, when you committed "to support the poorest and most vulnerable countries as they address health and economic challenges associated with COVID-19." But tragically it was missed, like many other opportunities you have lost in taking heed of the conditions and calls of the developing world and embarking on meaningful change.

Instead, you pushed solutions that missed the mark, as evinced by today's sharper inequality divides within and across countries, further debt accumulation and crushing debt service, and by the millions more pulled into extreme poverty and rendered more vulnerable to intensifying climate change. Only last year under the German presidency, you claimed special responsibility for shaping a future of "prosperity, stability and solidarity", including achieving sustainable solutions for critically debt-trapped countries. But we find no substantive, decisive steps in this direction.

Your governments vigorously supported the G20/Paris Club's Debt Service Suspension Initiative (DSSI) which was limited to less than half of developing countries, and has proven grossly inadequate in matching the depth and breadth of the debt catastrophe. You left behind middle-income countries (MICs) where 80% of people falling into absolute poverty due to COVID-19 struggled to survive. DSSI's mere deferral has come with a backlash of more oppressive repayment obligations from 2022 onwards, and under much more trying economic and financial conditions, absent additional debt reduction measures. You also promoted the development of DSSI's successor, the Common Framework for Debt Treatments beyond DSSI, which still fails to compel the participation of private sector lenders, a flaw that has led to their bailout with the new loans from multilateral institutions. You must also be held to account for your continued support of such failed and futile debt "relief" mechanisms that exclude MICs, in the face of the deeper debt trap into which MICs like Sri Lanka and Pakistan have fallen.

Meanwhile, your governments, together with international financial institutions and lenders are at the forefront of promoting more loans and private investments as so-called win-win solutions to both the development and climate crisis. In doing so, you are plunging Global South countries into a

greater debt debacle that will cause more deprivation and misery, while evading your historical responsibility for the climate emergency and unjustly shifting your obligation to deliver grants-based climate finance to peoples of the Global South, who least contributed to the crisis of climate change.

Reiterating our call and demands, we strongly urge your governments to —

- Cancel the debt for countries in need, including public debts of a questionable and fraudulent nature that violated human rights and contributed to exacerbating the climate crisis.
- Support the elimination of IMF surcharges, which penalizes the most debt-distressed countries and further erodes the capacity of developing countries to respond to urgent social needs.
- Enact/strengthen national legislation to require the participation of private creditors in debt relief, which is a key element in any serious wide scale debt reduction or restructuring effort.
- Immediately deliver new, additional and non-debt creating climate finance for adaptation, mitigation and loss and damage, much more than the unfulfilled \$100 billion/year pledge, to adequately meet the needs of the Global South.

ASIAN PEOPLES' MOVEMENT ON DEBT & DEVELOPMENT, 19 MAY 2023
