



Debt Relief for Poor Nations: The Battle in Congress

In the fall of 2000, an international grassroots movement to erase the debts of the world's poorest countries reached the halls of the US Congress. For years, the "Jubilee 2000" campaign had been pushing hard for debt forgiveness to mark the approaching millennium; a host of religious organizations and leaders, as well as celebrities and rock stars, had lent their voices to the cause, which took its name from the biblical injunction to cancel debts and emancipate the enslaved every fifty years. Heeding their increasingly clamorous call, President Bill Clinton, in concert with other world leaders, had agreed to a plan to reduce the crushing load of debt that desperately poor countries owed to rich ones and to international lending institutions. But he would need the help of a Republican-controlled Congress to make good on his pledge: lawmakers would have to approve new spending to cover the US share of the cost of the plan.

It was expected to be a difficult fight in Congress, but the support of a combination of liberal Democrats and Christian conservatives appeared to offer some hope that the needed legislation would be enacted. That hope was shaken, however, when an early roadblock arose in a House appropriations subcommittee—the crucial first stop in the long road to congressional approval. The Subcommittee on Foreign Operations—led by Chairman Sonny Callahan of Alabama, a fierce opponent of the administration's debt relief proposal—was split roughly along party lines on the issue; if the Republican majority on the panel held fast, the future of debt relief legislation could be bleak. As the forces of Jubilee 2000 converged on Capitol Hill to make their case, it would be up to proponents of debt forgiveness—especially Rep. Nancy Pelosi of California, the ranking Democrat on the subcommittee—to find ways to keep debt relief from meeting an early death in Congress.

This case was written by Esther Scott for David King, associate professor of public policy, for use at the John F. Kennedy School of Government, Harvard University (0101)

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Jubilee 2000 and the Campaign for Debt Relief

The international push for debt forgiveness had been steadily gathering steam since 1996, when the Jubilee 2000 movement was launched in the United Kingdom. A coalition of religious groups and nonprofit organizations in over 60 countries worldwide, Jubilee 2000 sought an outright cancellation of what it called “unpayable debts” of the world’s poorest countries by the year 2000. Such an act would accord with the biblical command, as written in Leviticus, to “consecrate the fiftieth year and proclaim liberty throughout the land to all its inhabitants. It shall be a jubilee for you.”

The issue of debt relief for developing nations was not a new one. Harvard economist Jeffrey Sachs had been working on it since 1985, when he was advisor to the government of Bolivia during a severe economic crisis. Because there was “no set international procedure” for dealing with a nation’s external debt problems, he points out, it was “the most politically salient or financially salient countries” that were the first to get relief. The poorest nations – many of them in sub-Saharan Africa – usually “came last in the queue” for debt relief. Sachs captured the feeling of a growing number of critics of creditor nations and institutions when he wrote, in the *New York Times*, of the 700 million desperately poor people who were “held in debt bondage by the rich countries.”¹ (See Exhibit 1.)

While estimates of poor nation indebtedness varied, depending in part on what countries were included, by most accounts it ran into the hundreds of billions. Many of the loans had originally been incurred to help build the infrastructure of developing nations, but the money was often wasted on ill-conceived projects or diverted to private coffers or military uses; as their debts relentlessly piled up, beleaguered Third World nations were forced to incur new debt to pay the service on old loans. By the mid-1990s, there was widespread consensus that for some, the debt had reached crippling proportions. Testifying before the House Banking and Financial Services Committee in June 1999, Lydia Williams of Oxfam America pointed out that, on average, debt servicing absorbed as much as 40 percent of the national revenues of the poorest nations. The cost, in human terms, she told the committee, was devastating for countries facing high infant mortality rates, low life expectancy, and catastrophic public health crises. Niger, for example, which had a life expectancy of 47 years and a literacy rate of 14 percent, spent more on debt service than on health and education combined. Most sub-Saharan nations had similarly bleak stories to tell. It was the plight of these countries that fueled Jubilee 2000’s high-profile campaign for debt relief.

The aims of Jubilee 2000 won the endorsement of a wide range of prominent religious figures, including Pope John Paul II, the Dalai Lama, and Protestant evangelists Billy Graham and Pat Robertson; it also enlisted the aid of celebrities like Muhammed Ali and Bono, the lead singer in

¹ Jeffrey D. Sachs, “A millennial gift to developing nations,” *New York Times*, June 11, 1999, p. A33. Sachs also served as economic advisor to the Jubilee 2000 campaign.

the Irish rock band U2, who would become a familiar figure on Capitol Hill as he campaigned tirelessly for debt relief. Along with mustering the support of the famous, Jubilee 2000 proved effective in staging large-scale protests. In May 1998, for example, some 70,000 people gathered in Birmingham, England to form a human chain—symbolizing the bonds of debt—around the site of that year’s summit of the Group of Seven (G-7), a consortium of the world’s wealthiest nations. This and similar events had their desired effect. Jubilee 2000, the *Wall Street Journal* declared in April 1999, “has jarred the highest levels of power.”

The Cologne Initiative. It was in this context of mounting protest that the G-7 announced its plan to provide debt relief to the world’s poorest countries. The initiative, unveiled at the G-7 summit in Cologne, Germany in June 1999, pledged to give “faster, broader, and deeper debt relief” to a group of 41 nations—80 percent of them in sub-Saharan Africa—classified as “Heavily Indebted Poor Countries” (HIPC). Essentially, the G-7 nations committed themselves to forgiving up to 90 percent of the debt owed directly to them (usually referred to as bilateral debt) and to contributing to a HIPC “trust fund” to help international financial institutions—primarily, regional development banks, such as the African Development Bank and the Inter-American Development Bank—write off loans to HIPC participants (usually called multilateral debt). Two other key lending institutions—the World Bank and the International Monetary Fund (IMF)—would run the HIPC program and also forgive a portion of the debt owed to them.²

The total US share in the G-7 plan—both bilateral debt forgiveness and trust fund contributions—came to about \$920 million, less than four percent of the estimated \$27 billion the Cologne debt initiative was expected to cost.³ But, Treasury Secretary Lawrence Summers argued in the *Washington Post* in November 1999, its ripple effects would be significantly greater. “Because of the leverage implicit in our own contribution,” he wrote, “and the contribution from other countries that our support would set in train, every dollar we appropriate for this effort could leverage as much as \$90 in debt relief for these [countries].”

But none of this leverage could be put to use without the cooperation of Congress. Under the terms of the Credit Reform Act of 1992, Congress would have to appropriate new funds to cover any loss to the US Treasury from bilateral debt reduction; it would also have to appropriate any monies destined for the HIPC trust fund. In addition, Congress would, by law, have to give its approval to a complicated revaluation of a portion of the IMF’s gold reserves, which would enable the Fund to cover its losses from debt forgiveness. Much was riding on Congress’ willingness to okay the new spending. If the US failed to do its part, Summers warned, the entire G-7 initiative

² The Cologne initiative built on a much-criticized debt relief program begun in 1996 by the World Bank and the IMF, often referred to as HIPC I. While countries would still have to meet certain requirements to qualify for debt relief, as they did in HIPC I, the new program, HIPC II, lowered the bar to entry and provided more generous levels of debt reduction.

³ This included, roughly, \$600 million for the HIPC trust fund and \$320 million for US bilateral debt.

would collapse. “The future of this global effort is in our hands,” he wrote in the *Post*. “The rest of the world will not move forward without us.”

Debt Relief on Capitol Hill

The Route Through Congress. The quest for congressional approval of debt relief would begin when the Clinton administration submitted its proposal to fund bilateral debt write-offs and contributions to the HIPC trust fund, and to authorize the IMF gold revaluation. Once submitted, the proposal would essentially move along the twin tracks of authorization and appropriation. In the House, authorization for the IMF gold revaluation and for debt relief fell under the jurisdiction of the Banking Committee and the International Relations Committee; in the Senate, the Banking Committee and the Foreign Relations Committee shared jurisdiction over parts of the proposal. But, with the exception of the gold revaluation, the real action on debt relief would be in the House and Senate Appropriations Committees, which held the all-important power of the purse.

Each fiscal year (October 1-September 30), all discretionary spending by the federal government was packaged into 13 different appropriations bills. These were the province of the two appropriations committees—more specifically, their 13 subcommittees, each one with jurisdiction over a single spending bill. (The chairs and ranking minority members of the full appropriations panels were *ex officio* members of each subcommittee.) Consideration of the administration’s debt reduction proposal would come as part of the markup of one of these—the foreign aid appropriations bill—and it was in the House and Senate Foreign Operations Subcommittees that the first and in some ways most critical work on debt relief would be done. The products of the subcommittees’ deliberations would go next to the full appropriations committees for a vote and from there onto the House and Senate floors, where members had a final shot at shaping the legislation. After differences in the House and Senate versions were ironed out in conference, the bill would be sent to the president for a signature or a veto—or, as had generally been the case in recent years, for a period of extensive and often testy negotiations between the White House and Congress until a satisfactory compromise could be found.

The Outlook. At the outset, it was difficult to predict the fate of the administration’s debt relief proposal in Congress. In general, the fault line of support for debt relief ran along party lines. Most Democrats, especially in the center and left of the party, lined up behind the administration’s request; and most Republicans, especially in the conservative wing, opposed it. But there were important exceptions to this rule, particularly on the Republican side, where the religious underpinnings of the Jubilee 2000 movement struck a chord with some members. Among these were John Kasich of Ohio, the conservative chairman of the House Budget Committee and Rep. Spencer Bachus of Alabama, “a conservative’s conservative,” in the words of the *Washington Post*, who became one of the strongest voices to speak out in favor of debt relief. His stand on the issue put Bachus in what was, for him, unusual company: joining “arch-liberal” Rep. Maxine Waters (D-CA) to receive an award from Oxfam America for their work on behalf of debt relief, and sharing

the podium with Bono at a news conference.⁴ Bono's lobbying efforts helped bring other Republicans—and U2 fans—into the fold, most notably Republican Senator Orrin Hatch of Utah. Bono, in fact, proved as adept at working with members on the political right as on the left; when the rock singer met with Jesse Helms (R-NC), chairman of the Senate Foreign Relations Committee, the senator was reported to have broken down and cried during a discussion of African poverty, and then, the *Washington Post* wrote, "he blessed Bono."

But debt relief—especially multilateral debt relief in the form of the HIPC trust fund—had its implacable, and powerfully placed, foes in Congress as well. Some of these—notably Phil Gramm (R-TX), chairman of the Senate Banking Committee—trained their guns largely on the IMF, whose policies and practices had long been a target of criticism. For Gramm and his allies, the administration's debt relief proposal, in particular the IMF gold revaluation, became an opportunity to press for long-sought reforms of the Fund. Others, like Sonny Callahan, were more directly concerned with the policy of debt relief itself, and with its effects on the countries that received it. They turned a skeptical eye on the Jubilee 2000 movement, which one observer labeled "the politics of mass hysteria," and questioned the wisdom of debt forgiveness.

The First Round. In the fall of 1999, the White House and Congress squared off for a preliminary round in the fight over debt relief when the administration submitted a budget-amendment seeking a total of \$920 million for bilateral and multilateral debt reduction over the next four years. The request ran into resistance from Republican leaders and, after weeks of squabbling, the White House and congressional negotiators reached a compromise: Congress would appropriate \$110 million for bilateral debt relief for FY2000 and postpone until the following year consideration of the White House request for funds for multilateral, as well as more bilateral, loan forgiveness.⁵

Early in 2000, the administration came back with its new request for debt relief funding. It sought \$210 million in supplemental funds for FY2000 for multilateral debt relief; \$225 million for FY 2001 for a combination of bilateral and multilateral debt reduction; and \$375 million in "advance appropriations" for the same purpose. The ball was now in Congress' court. With Jubilee 2000 supporters urgently pressing their case, members of the House Foreign Operations Subcommittee and their chairman, Sonny Callahan, prepared to take up the question of debt relief in the millennial year.

⁴ Michael Grunwald, "GOP's Bachus makes debt relief his mission," *Washington Post*, October 9, 1999, p. A3.

⁵ In addition, Congress agreed to allow the IMF to revalue some 12.5 million ounces of gold. However, the IMF was authorized to use only 9/14ths of the proceeds from the revaluation; the administration would have to return to Congress the following year for approval to use the remaining 5/14ths.

Inside the Foreign Operations Subcommittee

*The Subcommittee.*⁶ The regular membership of the Foreign Operations Subcommittee comprised eight Republicans and five Democrats; the ex officio members were the House Appropriations Committee chairman, C.W. “Bill” Young (R-FL), and its ranking member, David Obey (D-WI). (See Exhibit 2.) First elected to Congress in 1984, Callahan assumed the chairmanship of the subcommittee in 1995. Up to that point, Callahan, who had started out his political career as a Democrat, had a long record of voting against foreign aid bills; but, as the House Republican majority leaned more to the right, he had become, according to the *Almanac of American Politics*, “a bit moderate on economic and foreign policy.” Still, he retained a reputation for being “stingy” on foreign aid—a label he hotly disputed.⁷

For the most part, Callahan’s Republican colleagues on the foreign operations panel had conservative voting records, generally garnering high ratings from both fiscally and socially conservative organizations, such as the National Taxpayers Union and the Christian Coalition. Several, however, had somewhat moderate records on foreign policy issues, as rated by the *National Journal*; these included Jerry Lewis of California, John Porter of Illinois, Roger Wicker of Mississippi, Joseph Knollenberg of Michigan, and Frank Wolf of Virginia. Most Republican members of the subcommittee were veterans, with 15 years or more of congressional service under their belt, but three had first come to Congress in the early 1990s. All were judged to hold “safe” seats as the November 2000 elections neared, but Rep. Porter had announced his intention not to seek re-election after two decades in office.

The Democratic contingent on the Foreign Operations Subcommittee was led by ranking member, Nancy Pelosi, who was first elected to the House in 1987. Pelosi’s district—which included most of San Francisco—was, according to the *Almanac*, one of the “most Democratic and liberal in the nation,” and her record in Congress reflected her constituency’s political views. She was considered a rising star in the House Democratic leadership and, in the event her party regained the majority, planned to run for the post of whip.

Pelosi’s Democratic colleagues on the panel shared her strongly liberal bent. All four received high ratings from liberal groups such as the Americans for Democratic Action and the American Civil Liberties Union. Two members—Martin Sabo of Minnesota and Nita Lowey of New York—were veterans of ten or more years; but two—Jesse Jackson, Jr. of Illinois, son of the civil rights leader, and Carolyn Kilpatrick of Michigan, also an African American—were elected in the second half of the 1990s. As with the Republicans, all were considered to hold safe seats.

⁶ Profiles of subcommittee members are largely drawn from *The Almanac of American Politics 2000*, by Michael Barone and Grant Ujifusa (Washington, DC: National Journal Group, Inc., 1999).

⁷ Sebastian Mallaby, “Why so stingy on foreign aid?” *Washington Post*, June 27, 2000, p. A 23.

Taking Sides on Debt Relief. Callahan staked out his position on debt relief early and vigorously. Although he insisted that he was not opposed to the principle of debt relief, he expressed deep skepticism about the administration's way of tackling the problem. For one thing, he argued, the loans had been abused by corrupt and undemocratic leaders, and debt relief might meet the same fate. "When the people who borrowed the money that were running these countries at the time absconded," he said on the House floor in October 1999, "they did not spend it on bridges; they did not spend it on health care. They took the money, and they put it in Swiss banks. So now they want us to forgive the debt."⁸ As evidence that money freed up by debt relief would not necessarily be well spent, Callahan repeatedly pointed to the example of Uganda—generally considered a HIPC poster child for its good use of debt relief—whose president bought a \$35 million luxury jet in early 2000. "In Uganda we forgave debt," he remarked, "and the day after, the guy buys a Gulfstream."⁹

Callahan was as critical of the lenders as of the borrowers, and viewed the HIPC trust fund as a scheme to bail out failing regional development banks, particularly the African Development Bank. Like the loan recipients, the lenders, Callahan believed, showed little inclination to change their ways. "Most of the [multilateral] institutions," says Charlie Flickner, Republican staff clerk of the Foreign Operations Subcommittee, "are lining up to impose new loans and to create new debt as fast as [the old debt] is wiped out." Throughout the debate on debt relief, Callahan sought to impose some kind of moratorium—or a "time out," in the words of a subcommittee report—on new loans to HIPC participants.

Within the subcommittee, Nancy Pelosi led the fight to fund debt relief. Like many other members of Congress, she had been hearing from supporters of the Jubilee 2000 campaign and felt some pressure to advance the cause. "Where there is a grassroots movement like this," notes Mark Murray, Democratic staff member for the foreign operations panel, "there's a lot of expectation on Nancy as the ranking member" to take up the issue in the subcommittee.

Pelosi urged support for debt relief on humanitarian grounds and, to a lesser degree, the "national interest." The fact that past loans had been made to corrupt leaders, she argued, did not lessen the crushing burden they imposed on the poor. Many of the loans, she noted at one point in the debate, had been incurred by "previous regimes." Poor countries seeking to democratize needed to be freed "not only from the oppression of the dictatorships, but the oppression of the loans that were taken out by the dictators." When, during committee deliberations, Callahan cited the Ugandan leader's purchase of the luxury jet, she retorted, "You've gotten more mileage out of the Gulfstream than the president of Uganda. Should the poor people of Africa suffer from the poor judgment of their president?"¹⁰

⁸ As quoted in *CQ Weekly*, November 6, 1999.

⁹ Mallaby, June 27, 2000.

¹⁰ Miles Pomper, "House foreign aid spending bill retains provisions opposed by Clinton," *CQ Weekly*, July 1, 2000, p. 1621.

Preparing for Markup. Whatever their differences over past and future loans, the most rancorous debate between the two sides was over money. The first skirmish came in April 2000, when the full appropriations committee took up the administration's FY2000 supplemental budget request. The bill the committee considered did not, on Callahan's recommendation, include the \$210 million the White House had sought for the HIPC trust fund; when Pelosi proposed an amendment to restore the funds, it was voted down by the committee. Later, the House Rules Committee vetoed her request to offer her amendment when the full House voted on the supplemental bill. Meanwhile, the Senate likewise omitted the \$210 million from its version of the bill. As the foreign operations subcommittee prepared to mark up the FY2001 foreign aid bill, the administration was already falling short of its goals for funding debt relief.

For FY2001, the White House had submitted a \$15.1 billion foreign aid bill, which included \$225 million for debt relief, \$150 million of it to go to the HIPC trust fund and \$75 million to bilateral debt forgiveness. By the time the bill reached Callahan, the Republican House leadership had reduced the overall spending target for foreign aid to about \$13.3 billion. In the weeks leading up to formal markup of the bill, after hearings were held, Callahan consulted with subcommittee members, including Democrats, on the allocation of this money among some 40 separate foreign aid accounts. It was painstaking work, says Mark Murray. The process "is one of consensus-building and internal discussions," he explains. "... The chairman, if he's smart, will try and anticipate what members want, so that when it comes time to sit down and face the votes on issues, they will have been brought into supporting [the] bill." In this case, however, Callahan's carefully constructed bill was upended at the last moment when Republican leaders—Dick Armey and Tom DeLay, both of Texas—cut the total foreign aid appropriation by roughly \$300 million. This meant, says Charlie Flickner, that he and Chairman Callahan "have to get together and figure out, are we going to take a bill that's been painfully put together in consultation with the Democrats and cut everything a little bit, ... or are we going to take a few things that we know will be restored [later], and cut them?"

Callahan and Flickner chose the latter route, limiting cuts to two accounts: the International Development Association (IDA), an arm of the World Bank through which the US made low-interest loans to poor countries, and debt relief. Originally, the chairman had recommended roughly \$112 million to be earmarked for debt relief for FY2001; that figure was now whittled down further, to \$69 million. It was, both sides agreed, a calculated—and not uncommon—move. "They took the money away from two accounts," says Murray, "because they knew those were the most politically charged this year, and because they knew the administration would fight hard for them in the end." This left subcommittee members free to take care of their priorities within their current budget allocation, on the assumption that more money would be found later for programs dear to the president's heart. "When you do an appropriations bill, when you take the first step," Murray observes, "a lot of the time your thinking is tactical."

With Callahan settled on his cuts and the subcommittee scheduled to mark up the foreign aid appropriations bill in June 2000, the next tactical move would be Pelosi's. As with the supplemental bill, she planned to offer an amendment restoring full funding for debt relief. "Our strategy on the debt issue," explains Murray, "has been to push as hard as we can at every opportunity that we can with amendments. ..." Essentially, the decision before Pelosi was how to pay for the additional debt relief she sought. She could simply seek an "emergency" designation for debt relief funds which, Murray notes, would "not count under the overall discretionary spending caps we operate under." Or, she could try to offset the additional money for debt relief by proposing cuts elsewhere in the foreign aid appropriation. In the end, Pelosi chose the former option. "Her decision was," Murray recalls, "rather than get into an argument about where you're taking the money [from], simply do it all as an emergency." Her amendment proposed to add to the \$69 million already allocated for debt relief enough emergency funding to bring the total to \$435 million—the figure the administration had sought for FY2000 and FY 2001 combined.

Pelosi informed Callahan of her intention to offer an amendment as "a matter of courtesy," Murray says. As the time to mark up the bill neared, both sides looked to the rank and file members of the subcommittee to support their position on debt relief.

Assessing the Odds. Heading into the markup, both sides foresaw a close vote on Pelosi's amendment. While most subcommittee members were expected to vote along party lines, there was some uncertainty within the Republican ranks. In Flickner's view, the amendment had "the votes to pass," not just in the foreign operations panel, but on the House floor. Members were feeling the heat from "faith-based groups" that had taken up the cause of the Jubilee 2000 campaign. "I don't know how many members have said, 'Please do this [i.e., pass debt relief], so I don't keep getting these lectures at church every Sunday,'" Flickner recalls. The millennial fervor and biblical roots of the debt forgiveness movement made a deep impression on some lawmakers, adding "oomph," as Murray puts it, to the somewhat dry and legalistic issue of bad loan write-offs. "It's compelling to a member when he gets a call from a person in his district on an issue," Murray notes, "and if it's a religious person, it makes it [even] more compelling."

Still, Murray was less persuaded than Flickner that Pelosi's amendment had the votes to pass, especially in view of the defeat of her earlier effort to amend the supplemental bill. Whatever their views on debt relief, it was generally difficult for Republicans on the panel to oppose their chairman after a bill had been carefully crafted and assembled for markup. "Once you start undoing one account for another in tradeoffs or emergency spending," Murray notes, "you're unraveling the whole fabric of the bill and the chairman is losing control, and that's something they obviously try to avoid at great lengths." This was especially true, Flickner observes, because many of the foreign operations panel members were chairmen of other appropriations subcommittees in their own right, "and they pretty much understand almost instinctively what the choreography is

on these things, so they follow the steps.”¹¹ Those steps, as he explains, were: “Mrs. Pelosi is bound to make this amendment; we are bound to defeat it. [But] this says nothing about what you plan to do in the end. ... You have to have your eye on the end to know how to get there.” The end Callahan sought, Flickner maintains, was not to block or underfund debt relief, but to “ensure that there is some type of moratorium on new lending” in order to halt “the debt cycle for these countries.” For Callahan, “it was a matter of keeping it in play long enough to get the right conditions agreed on.”¹²

But Callahan’s choreography could potentially be tripped up by two Republicans whom both sides agreed were potential swing votes: John Porter of Illinois and Frank Wolf of Virginia. Porter, generally conservative in fiscal affairs, was a moderate on social issues, a supporter of international family planning and head of the human rights caucus in the House. Wolf, on the other hand, was a social conservative, a deeply religious member who was, in Flickner’s words, “very much involved in Christian activism”; he had also been active in “humanitarian causes,” according to Murray and had worked closely with Pelosi in pushing for human rights reforms in China. Both members had a reputation for occasionally straying from the party line on issues and for, in the words of one observer, “following their own lights.” Wolf had, in fact, been the only Republican on the full appropriations committee to vote in favor of Pelosi’s effort to reinsert \$210 million for debt relief in the FY2000 supplemental budget.

For Flickner, the potential cost of losing the vote on Pelosi’s amendment for FY2001 would be high. If the amendment passed, he maintains, “our whole legislative process would come to a screeching halt.” The Republican House leaders “would have come in and said, ‘Because you’ve accepted these emergency [provisions], the spending in your bill is too high to get it through the House on a party line vote.’”¹³ Consequently, they would likely seek to bottle it up in the full appropriations committee indefinitely. This would mean, according to Flickner, that the “full committee would basically not take our bill up for the first time until October, and that’s a terrible fate. You always want to have your bill done as early as possible; you want it as far along the process as early as you can.” To avoid this outcome, Callahan and his staff would have to hold on to at least one of the two possible swing votes. “I [knew] from the first moment,” Flickner says, “that I need one of them to vote no.”

¹¹ In 2000, Jerry Lewis was chair of the defense appropriations subcommittee; Ronald Packard, of energy and water development; John Porter, of labor, health and human services, and education; and Frank Wolf, of transportation.

¹² The bill that would be reported out of Callahan’s subcommittee included a 30-month moratorium on market-rate loans to HIPC countries receiving debt relief, and a nine-month moratorium on very low-interest, or “soft,” loans.

¹³ Because, according to Flickner, Republicans anticipated opposition to some provisions of their foreign aid bill from most Democrats and some moderate Republicans, House leaders were concerned to hold on to the support of “the most conservative members.”

For her part, Pelosi would need to persuade both to say yes—a tall order for the ranking minority member. She did not have much leverage to bring to bear on Republican members. “The chairman has most of the power in the situation,” says Murray, “so there’s not much that she can promise” in return for their vote, “because she can’t guarantee that they’ll get it.” In contrast, Callahan had already accommodated members’ priorities in the bill, which “made it a lot harder” for them to oppose the chairman. “It’s a very tense sort of showdown atmosphere,” notes Murray, “and really the only way you can justify doing it, if you’re crossing over, is because of your strong views on the subject.” Because Pelosi had “a close enough relationship” with Porter and Wolf, she did approach them shortly before markup to feel out their position, but “we didn’t know what was going to happen” when it came time to vote, Murray recalls. Although Wolf and Porter, as well as a few other Republicans on the panel, had expressed interest in the debt relief issue, it was not clear that they would choose this forum to declare it publicly.

The Vote. Subcommittee members assembled on June 20, 2000 to begin what the *National Journal* called the House’s “annual brawl over foreign aid.” The debt relief provision was not the most contentious measure up for consideration. Callahan’s proposal to slow aid disbursement to Israel in retaliation for its proposed sale of a radar system to China generated the most debate.¹⁴ Some members were also disgruntled at the nearly \$2 billion Republicans had shaved from the administration’s foreign aid request, although Callahan assured them that spending levels were likely to rise, as they had in recent years, once the White House and Congress began negotiating in earnest in the fall.

When it came time to offer her amendment, Pelosi invoked the scriptural injunction to forgive debt in the jubilee year, but her plea failed to move enough votes across party lines. The only Republican to side with her was Wolf. When the votes (including Young’s and Obey’s) were tallied, her amendment lost by a single vote, 7-8.

Looking Ahead. Pelosi and her staff were philosophical and undiscouraged in defeat. “Especially if you’re in the minority,” Murray reflects, “you’re not necessarily expecting to win. You’re expecting to make your point on an issue, and make the press aware of it, certainly. It’s a public proceeding. [You] make the interest groups that you’re working with aware that you’re trying to turn the tide on this thing.” Moreover, some members had indicated their support for debt relief, although they could not vote for her amendment “in this context,” as Murray puts it. “This is the first step in the process,” Murray says, “and you hear that a lot: stick with me now and we’ll do [better] later on when conference time comes.”

But Pelosi got a rude surprise when the House Appropriations Committee met on June 27 to vote on the foreign aid bill. The full committee was a very different venue from the subcommittee: not only much larger (61 members in all, 34 Republicans and 27 Democrats), but

¹⁴ “House panel’s world tour takes a familiar route,” *National Journal*, June 24, 2000, p. 1992. Callahan’s proposal was shot down by the subcommittee.

with a greater mix of political views among the Democrats as well. While she did not expect to succeed, Murray says, Pelosi nonetheless offered her amendment before the full committee as part of her strategy of “raising [the issue] at every opportunity.” The amendment was voted down, 21-32, with only one Republican—Wolf—siding with Pelosi; but more disturbing was the fact that three Democrats also cast their votes against the amendment. “We didn’t necessarily anticipate that we’d have difficulty with some of the conservative Democrats [on the committee],” Murray recalls, “so after it was over with, we were concerned that we had lost some ground.”

It was this concern that prompted Pelosi to take a hard look at the next opportunity for offering her amendment: on the House floor. The situation there would be far more constrained. Unlike committee votes, where members were relatively free to offer amendments, “the options once you get to the floor are quite limited,” says Murray. Under House rules, he explains, any amendment that proposed to add money to a bill had to be “fully offset”—i.e., “if you want to add money, you have to take it away from somewhere else.” This would mean that lawmakers would be faced with the choice of voting for debt relief at the expense of, say, economic development assistance for poor countries, or military financial assistance for Israel, or any number of cherished foreign aid programs. Pelosi could ask the House Rules Committee to grant a waiver and allow her debt relief amendment to be offered as emergency funding, but the chances of that were “slim,” according to Murray.

Moreover, the stakes were higher on the House floor: a defeat there would be decisive in a way that committee votes were not. “Pushing it to a vote may actually damage the cause ultimately,” Murray notes, “because [if] the full House votes against something, it becomes much harder down the line—say, in conference with the Senate—to actually get that accomplished, because you have a specific vote against it.” It would be difficult to predict the outcome of a House vote on the amendment. Members had never before been asked to go on the record on debt relief; and, with Republicans holding a slender majority, the vote could conceivably go either way.¹⁵

Meanwhile, over in the Senate, debt relief funding had not fared well. Although Jesse Helms’ Foreign Relations Committee had authorized \$600 million for the HIPC trust fund, Gramm, who was holding out for stronger IMF reforms, had blocked the measure from reaching the Senate floor.¹⁶ In the absence of formal authorization, Senate appropriators had been reluctant to earmark more than \$75 million for debt relief, as part of the foreign aid bill. That sum was okayed by the Senate Appropriations Committee in May and approved on the Senate floor on June 22. The next action on debt relief was slated for the House in early July, when the full membership would take up the foreign aid bill.

¹⁵ At the time of the vote, there were 222 Republicans, 211 Democrats, and two Independents in the House.

¹⁶ No authorization action took place in the House in 2000. In November 1999, the House Banking Committee, led by Chairman James Leach (R-IA), had passed a measure authorizing debt relief, but the bill was never brought to the House floor for a vote.

As Pelosi hesitated over her next move, Jubilee 2000 campaigners kept up the pressure on Congress. But with two straight defeats in committee, they and their supporters wondered: could the situation be salvaged?

Exhibit 1¹⁷

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HEADLINE: A Millennial Gift to Developing Nations

BYLINE: By Jeffrey D. Sachs; Jeffrey D. Sachs is the director of the Center for International Development at Harvard University and serves as an economic adviser to Jubilee 2000 and to many developing countries.

DATELINE: CAMBRIDGE, Mass.

BODY:

About 700 million people the very poorest -- are held in debt bondage by the rich countries. The so-called Highly Indebted Poor Countries are a group of 42 financially bankrupt and largely destitute economies. They owe more than \$100 billion in unpayable debt to the World Bank, the International Monetary Fund, regional development banks and donor governments, often reflecting the failures of past development loans.

Many of those loans were made to tyrannical regimes to suit cold war aims. Many simply reflect misguided ideas of the past. The moral and practical case for freeing these countries from their debt bondage is overwhelming.

Jubilee 2000, an organization supported by people as diverse as Pope John Paul II, Jesse Jackson and Bono, the rock star, has called for outright elimination of the debt burden of many of the world's poorest countries. This idea is often scoffed at as unrealistic, but it is the "realists" who fail to understand the economic opportunities facing the world today.

The financial bankruptcy of the poorest countries has been evident for at least 15 years, but the I.M.F., the World Bank and the rich countries have delayed real solutions to this chronic problem. The World Bank and I.M.F. take great pride in claiming that their loans never go bad. So instead of recognizing reality, they lend the poorest countries new money to repay the old debts, claiming that the loans are still sound.

Economics ministers from poor nations spend all of their time negotiating to stay one small step ahead of outright default, without the time or financial stability to address long-term problems. The only winners are the staffs of the I.M.F. and World Bank, which have invented a perpetual motion machine

¹⁷ Source: Lexis-Nexis Academic Universe Document,
<http://lib.harvard.edu:2052/univers...d5=e89565d79c69f61a0ad13ead69193d17>.

Exhibit 1 (cont'd)

for endless missions to these hapless countries.

In 1996, the creditors inched toward slightly bolder measures. The I.M.F. and World Bank announced a relief program with great fanfare, but without including any true dialogue with the affected countries.

Three years later, these plans have failed. Just two countries (Bolivia and Uganda) were given about \$200 million, while 40 others continue to wait in line. In this same period, the stock market wealth of the rich countries has grown by more than \$5 trillion, more than 50 times the debt owed by the 42 poor countries.

So it's a cruel joke for the world's wealthy governments to protest that they can't afford to cancel the debts. The poorest nations owe about \$106 billion in total to the I.M.F., World Bank, international commercial banks and rich-country governments. The I.M.F. is sitting on \$22 billion of unrealized capital gains on its gold reserves, since it values its gold at \$47 per ounce rather than the true market value of \$262 per ounce.

By selling just a third of its gold reserves, it could achieve the \$7.8 billion needed to write off the debts to the International Monetary Fund in their entirety, without even touching the remaining balance sheet. In addition, the I.M.F. balance sheet already abounds with special reserve accounts intended to absorb loan losses in an orderly way.

Similarly, the World Bank could readily absorb a full writedown of its claims out of its own resources. It would have to use special reserve funds already set aside for loan losses, dip slightly into its capital base and slim down its future lending to the poor countries. But with debt relief, the poor nations would no longer need this financing at the same level.

The commercial banks in total have claims of about \$19 billion, a tiny fraction of their lending to developing countries. Most of this is already written off in their balance sheets, so a full writeoff would be easily absorbed.

The United States, for its part, isn't so foolish as to count its roughly \$6 billion of claims on the poor nations at face value. These loans are already carried on the books at about 10 percent of their face value, or around \$600 million. Thus, to cancel entirely the American claims on the poorest countries would require a budget outlay of just \$600 million. The situation is analogous for other creditor governments.

Rough guidelines might hold that 80 percent or so of the debts would be canceled outright. The remaining 20 percent would be repaid in local currency, for uses in new social programs aimed at overcoming the multiple crises of health, nutrition, water and sanitation that threaten the very survival of these societies.

The problems of H.I.V. and AIDS, malaria, malnutrition and water control all cross national boundaries, especially in Africa. Therefore, we should insist that Africa's regional groupings, like the Southern African Development Community, help set the terms. By forcing cooperation among the poor countries, the donors would be emulating the strategy of the United States in designing the Marshall Plan, which achieved success in part by fostering extensive economic cooperation among European countries.

Important leaders throughout Africa, tested at the ballot box, are in place to lead this effort, including President Obasanjo of Nigeria, Thabo Mbeki of South Africa, Navin Ramgoolam of Mauritius and Yoweri Museveni of Uganda. In the case of the poor countries, today's visionaries may prove to be the realists.

Exhibit 2
Members of the Appropriations Subcommittee
On Foreign Operations, 2000

Republicans

Sonny Callahan, Chairman (Alabama); elected 1984

Jack Kingston (Georgia); elected 1992

Joseph Knollenberg (Michigan); elected 1992

Jerry Lewis (California); elected 1978

Ronald Packard (California); elected 1982

John Porter (Illinois); elected 1980

Roger Wicker (Mississippi); elected 1994

Frank Wolf (Virginia); elected 1980

C.W. "Bill" Young, *ex officio* (Florida); elected 1970

Democrats

Nancy Pelosi, Ranking Member (California); elected 1987

Jesse Jackson, Jr. (Illinois); elected 1995

Carolyn Kilpatrick (Michigan); elected 1996

Nita Lowey (New York); elected 1988

Martin Sabo (Minnesota); elected 1978

David Obey, *ex officio* (Wisconsin); elected 1969