Secretariat of the International Conference of Asian Political Parties

H.E. Ban Ki-Moon
Secretary General of the United Nations
U.N. Headquarters
New York City

November 20, 2009

Dear Mr. Secretary General,

We write to Your Excellency on behalf of the International Conference of Asian Political Parties(ICAPP) to propose an *enlarged debt swap* and *'debt-for-environment' formula* for highly indebted middle-income countries—an anti-climate change strategy that will *not* require new appropriations from the donor-states.

There are many highly indebted countries in our region, which are struggling to recover from catastrophic natural disasters, including super-typhoons that successively brought unprecedented rains and flooding, causing hundreds of casualties and displacing hundreds of thousands.

In our view, the most difficult aspect of the coming Copenhagen negotiations is that the newly-industrializing countries (NICs) are *unwilling* to accept internationally binding emission reduction targets *without* financial or technical compensation to cover the economic costs of achieving these targets—since the NICs have historically generated *much lower* per capita emissions than the industrialized countries, and will continue to do so over the foreseeable future.

The *extent* to which the industrialized powers are prepared to *support* the developing countries in *reducing* their carbon emissions *could* make *or* break the Copenhagen Conference. In negotiating a compensation package for the NICs, you may find *helpful* this enlarged debt swap and *debt-for-environment* scheme we are proposing to the creditor states on behalf of the most heavily indebted middle-income countries. The arrangement is voluntary and does *not* ask international creditors to *forgive*—or *suspend*—a single dollar of debt. *Nor* will it require new money from the parliaments and governments of any of the rich countries.

Excellency,

Our proposal is simple. It offers creditor states and lending institutions the *option* of *converting* as much as 50% of the yearly debt-service payments they receive into *investor equity* in anti-climate change programs in *their* debtor countries. These projects would include massive reforestation, water conservation, alternative energy, mass housing, health, education, and other social infrastructure. We are certain that financial engineers can refine this basic formula and think up variations.

Countries in East Asia can offer tremendous possibilities for harnessing monsoon winds and ocean currents to generate electricity. Many of the infrastructure projects currently under way or

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consideration in our region are potentially viable in commercial and economic aspects. They can generate tolls, users' taxes, rentals and sales income. Reforestation projects in the region can earn carbon credits under the Kyoto Protocol. Furthermore, a cycle of timber sales can be profitable, as witnessed in the evergreen timber plantations of Canada, New Zealand, and Finland.

Mass housing projects will enable governments in poor countries to relocate millions of squatter families living along watercourses and on sloping land susceptible to landslides. As equity-holders in these projects, creditor countries will have at least oversight powers over the projects they finance. From the viewpoint of each nation, these projects—reforestation in particular—will have a tremendous economic-stimulus impact amid the global downturn as well. Substantial funds diverted from debt service to foreign direct investment will pump-prime poor-country economies. They will generate many jobs for relatively low-skilled people.

Since the onset of the global recession, many developing countries in Asia have found servicing debt more and more difficult. Because of pump priming, the fiscal deficits in many of these countries have already exceeded their original target for the whole of 2009. The real danger is that debt service will crowd out their social expenditures, which are already squeezed dry. In case of the Philippines, more than 8% of the GDP now goes to *yearly* debt payments. For its total foreign debt of some US$56 billion, the Philippines must set aside close to $5 billion in principal and interest payments every year.

Excellency,

In this regard, massive reforestation can be the *crucial* debt-swap, debt-for-environment, debt-for-nature goal. It promises as well the creation of new wealth. It must be undertaken simultaneously in Asia, Africa, and Latin America, as well as in some European countries and areas of North America. Over the next 20 years, the most vulnerable regions in sub-Saharan Africa, South Asia, Southeast Asia, and the Middle East face water crises, catastrophic flooding, droughts, and food shortages. The tiny island-nations in the Pacific face outright extinction.

We have abused Mother Nature and the wonders of creation. Now we're reaping the harvest of our abuse. As is well known, trees absorb the runoff from monsoon rains and prevent the erosion that swells rivers—whose flooding destroys low-lying communities and farms, aqua-culture fisheries, schools, hospitals, and rural-health units, roads bridges, markets, and other infrastructure. Trees also absorb the carbon dioxide emissions that create global warming and set off storms, droughts, rains, and floods.

Massive reforestation can also be a major economic stimulus, since it could employ hundreds of thousands to nurture seedling nurseries, grow the trees, and harvest their timber. Commercial tree farming can be vastly profitable. In the Philippines, as in other tropical countries, even hardwoods mature in 12-20 years, compared with much longer periods in the temperate zones.

Excellency,

We are pleased to inform you that the *original* debt-for-equity proposal, to finance anti-poverty projects and the U.N. Millennium Development Goals (MDGs) in the 100 most-heavily-indebted countries, had been presented to the U.N. and other international financial institutions by Mr. Jose de Venecia, Jr. in his capacity of the Speaker of the House of Representatives of the Philippine Congress in 2005, and had been supported by the U.N., with a written endorsement from then-U.N. Secretary General Kofi Annan; as well as by the governments of Germany, Italy, and Spain; the Group of 77 Plus China; the International Conference of Asian Political Parties (ICAPP); and the Eleventh Summit of ASEAN, the Association of Southeast Asian Nations. Copies of these endorsements are enclosed

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herewith for your reference.

We suggest that creditor-countries that avail of this program require their debtor-countries to *commit* to specific standards of transparency, anti-corruption safeguards, and fiscal reform as pre-conditions to accessing their anti-climate change funds.

And even as we emphasize massive reforestation, we mustn't lose sight of the importance of developing low-carbon public transport, 'smart' electricity grid systems, wind, geo-thermal and solar power, second-generation biofuels, and various 'green' investments.

We further propose that the Copenhagen Summit approve a Resolution mandating governments to create anti-climate change ministries or departments at cabinet level to ensure that they all become fully engaged in the battle against climate change.

We hope that in your person the most heavily-indebted middle-income countries in Asia, and across the world, will find a champion; and that together we will achieve a breakthrough in our common struggle against climate change—while also generating a major stimulus and jobs creation for our stagnant economies.

The key is to find the formula for financing our battle against climate change. We believe that we now have such a formula and hope that the Copenhagen Conference will see its way toward applying this formula of massive reforestation and other anti-climate change programs simultaneously in Asia, and wherever else in the world there is a need for it.

Please accept, Excellency, our best wishes and highest regards.

Jose de Venecia, Jr.
Founding Chairman and Co-Chairman
(Former Speaker of the House of Representatives of Philippines)
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Attachments: As stated.

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