

Debt Cancellation Campaign Newsletter

December 2018

(The complete version of this newsletter is available only in Japanese. These are some of the English language articles used in the latest edition of the Japanese newsletter.)

The New Debt Crisis

Jürgen Kaiser, coordinator of the German Debt Crisis Network and Jubilee Germany, examined 141 countries and found that 119 are critically in debt. Countries with particularly high debt indicators include Jamaica, Mongolia, Bhutan and Mozambique. Instead of continuing to issue warnings that a new wave of debt crises is looming in the Global South, it has to be said that the crisis is already here.

A wide range of countries have now had to cease all or part of their debt servicing. 11 countries have had to cease payments to external creditors since 2015, either temporarily or permanently, as a result of external shocks and/or political instability. Currently, Venezuela, Angola, South Sudan, Chad and Mozambique are in this position. The first four became insolvent mainly as a result of the fall in oil prices. Due to its civil war, Yemen also has to be added to this list. The Republic of Congo, Belize and Gambia, all also on the list, have been able to make up for defaulted payments to their foreign creditors during 2017, albeit at the cost of new multilateral debt and related adjustment measures. Grenada has signed rescheduling agreements with its bilateral creditors, which are now gradually being implemented.

Cambodia, Iraq and Ukraine are considered to be in default because they refuse to satisfy claims that they consider unlawful.

The group of countries which are in the critical range include countries that belong to the group of least developed countries as defined by the United Nations, such as the Gambia, Tuvalu and Bhutan; but there are also countries that sit at the G20 (grouping of major economies) table, such as Argentina, Mexico and South Africa.

The following groups of countries are particularly vulnerable:

- Fragile states: Countries that are politically unstable and therefore constrained in their ability to borrow responsibly. These include, for example, the post-conflict country of Burundi and also Jordan, where instability is not its own but that of its neighbour, Syria.
- Commodity exporters: Countries that pursue an extractivist development model and, after a fall in commodity prices, face the choice of significantly limiting public spending or financing the resulting budgetary gaps through loans. Examples include Angola, the Republic of the Congo and Venezuela.
- Small states: Countries that are particularly vulnerable to natural disasters because of their small size and/or location, including Cape Verde and, to some degree, Belize.
- Countries with a combination of factors: Finally, a group where a worsening of the debt situation cannot be attributed to a single major factor, but is due to several factors such as internal instability, questionable borrowing in the past, the consequences of climate change and other external shocks. These presently include, in particular, Latin American middle-income countries, such as El Salvador.

Outlook

Unless it is addressed politically, the crisis will persist and even worsen. Previous sovereign debt crises have shown that at some point, high debt levels create a threatening reality: ongoing debt servicing absorbs so much of a country's economic output that it can only be sustained at the price of further borrowing. Countries are literally in a 'debt trap'.

Governments often keep up with their debt service obligations even though the resources are badly needed within

the country. For the people in the affected countries, this often means painful cuts in social services. For example, public healthcare and public education provision may deteriorate, meaning only those that can pay can access quality services. It is often the poorest who suffer disproportionately from such austerity measures.

The so-called ‘Third World debt crisis’ of the 1980s and 1990s has shown that it is cheaper for all parties to reduce debt early on, because financing debt service with new (multilateral) credit amounts to the proverbial extinguishing of a fire using petrol. 2018 is perhaps the last year in which it is still possible to extinguish a large-scale fire with a few targeted and not too costly debt reductions.

<https://www.twn.my/title2/resurgence/2018/329-330/cover03.htm>

<http://www.cadtm.org/Debt-sustainability-review>

<https://www.theguardian.com/world/2018/jan/14/are-we-heading-for-another-developing-world-debt-crisis>

<https://eurodad.org/ten-years-on>

China

September 2018

China has become a significant new lender and has been pumping money into Africa. Chinese interest-bearing loans rose from almost nothing in 2000 to US\$30bn in 2016.

Many African countries and economists believed Chinese loans would solve Africa’s economic problems by taking a radically different approach to that of the IMF and World Bank. Instead of conditionalities, China prided itself on giving or lending money with no apparent strings attached. It also focused on financing infrastructure.

Despite the different Chinese approach, though, the number of sub-Saharan African countries in debt distress or facing high risk of debt distress rose from seven in 2013 to 12 in 2016, the IMF says. And so African countries are returning to the IMF to seek bailouts.

China’s Belt and Road funding terms spark criticism

March, 2018

Chinese investment does have the potential to address Africa’s infrastructure gap, but its approach has led to mounting debt and few, if any, jobs in most countries. China has used debt relief as a vehicle to gain control of assets. Tajikistan saw an undisclosed amount of debt written off in exchange for ceding control of some 1,158 square kilometers of disputed territory. Sri Lanka, despite public protests, was forced to give China a major stake in its port of Hambantota. (December, 2017:) Fisherfolk backed by Catholic priests and nuns are protesting against the multi-billion dollar port development amid worsening erosion allegedly caused by dredging.

https://issafrica.org/iss-today/indebted-africa-returns-to-the-international-monetary-fund?utm_source=BenchmarkEmail&utm_campaign=ISS_Weekly&utm_medium=email

<https://www.japantimes.co.jp/opinion/2018/03/28/commentary/world-commentary/scoring-goal-chinas-belt-road-funding-terms-spark-criticism/>

Sri Lanka

April, 2018

Sri Lanka’s total public debt is 81.6% of its GDP and amounts to around 7 trillion rupees (or US\$ 47 bn.), forcing the country to spend most of its revenue for debt servicing. The external public debt amounts to 36% of the country’s GDP, with multilateral and bilateral debt representing almost two third of it. With the private external debt (mostly owed by private corporations), the total external debt amounts to 57% of GDP, causing concern over the capacity to repay it given the relatively low income of Sri Lanka and its regular currency depreciation. High levels of debt servicing have taken place at the expense of social welfare and the provision of public services such as health care and education.

<http://www.cadtm.org/South-Asia-New-creditors-and-new>

Somalia

October, 2017 / September, 2018

Somalia narrowly averted a famine earlier this year thanks to an impressive humanitarian effort. Drought and near-famine have left Somalia's already weak economy in a parlous state. Farmers' goat herds have been wiped out, hunger is widespread — 400,000 Somali children are acutely malnourished and 3 million people are living in emergency food security conditions — and children are not going to school. Somalia has fulfilled all 27 conditions (!?) for receiving debt relief.

<https://www.theguardian.com/business/2017/oct/15/world-bank-and-imf-put-your-money-where-your-mouth-is-on-somalia>

https://www.africa-confidential.com/article-preview/id/12442/Money_worries

Pakistan

February, 2018

Pakistan's public debt situation is very precarious. The latest IMF report says the country's external debt was \$79.2 billion by June 2017. It was \$60.9 billion 4 years ago. The debt to GDP ratio has gone up to around 70% and revenue to debt payment ratio is around 47%. The net reserves with State Bank of Pakistan have been reduced to \$12.5 billion, insufficient to cover the import bill for three months. The government has no money to pay if private investors at the commercial banks demand their money back. It is bent upon shifting the burden on to the poor by raising taxes mainly through indirect taxation.

<http://www.cadtm.org/Bushra-Khaliq-CADTM-Pakistan-There>

Kenya

August, 2018

The Committee for the Abolition of Illegitimate Debts (CADTM) held a three-day training workshop on Citizens' Debt Audits in Nairobi, Kenya. The workshop was organized by the Kenyan Social Movements for the Abolition of Illegitimate Debts and attended by delegates from Kenya, Uganda, Tanzania and Burundi.

<http://www.cadtm.org/CADTM-successfully-holds-Citizen-Debt-Audit-Training-in-Nairobi>

Bamako Women's Declaration

November, 2017

Women from Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Gabon, Guinea, Mali, Morocco, Niger, Congo Democratic Republic, Republic of Congo, Senegal and Togo met to discuss 'Women, Debt and Microcredit' in Mali, in November 2017.

“The multi-lateral trade agreements and the ever greater debts that are pressed onto our countries plunge the populations into a vicious circle of austerity, unemployment and poverty. The promoters of micro-credits promise to deliver us from poverty and emancipate women. In fact, the opposite happens: we find ourselves trapped in a spiral of over indebtedness.

“We demand that both the micro-credit institutions and the public debt be audited in order that illegitimate debts be abolished. We call for the renewed development of free, high quality, public services and increases in the funds available for social spending.”

<http://www.cadtm.org/Final-declaration-of-the-Bamako>

Caribbean Religious Leaders Call for Debt Relief

March, 2018

Citing the destruction wrought by last year's uniquely devastating Atlantic hurricane season and other natural disasters, 22 Caribbean religious leaders issued a letter on Friday calling on governments and international financial institutions to relieve the debt of island nations and allow them to devote their resources to meeting the needs of their citizens.

<http://fore.yale.edu/news/item/in-midst-of-immense-suffering-caused-by-climate-crisis-caribbean-religious-/>

Exploitation

Illicit Financial Flows

May, 2017

Illicit financial flows from developing and emerging economies kept pace at nearly US\$1 trillion in 2014, according to a study released by Global Financial Integrity, a Washington, DC-based research and advisory organization.

<https://www.gfintegrity.org/report/illicit-financial-flows-to-and-from-developing-countries-2005-2014/>

Panama Papers

The ‘Panama Papers’ and now the ‘Paradise Papers’ underscore how financial secrecy and shell companies are used by rich individuals and companies to cheat vulnerable people and facilitate the theft of over a trillion dollars from the developing world every year.

[Jubilee USA 2017 Annual Report](#)

Corruption

April 2018

Developing regions lose more than 10 times the money they receive in foreign aid to illicit financial schemes. According to Navi Pillay, the former United Nations high commissioner for human rights, “The money stolen through corruption every year is enough to feed the world’s hungry 80 times over.”

<https://www.theguardian.com/world/commentisfree/2018/apr/03/public-registries-shell-panama-papers>

The super-rich are even richer

June 2017, September 2017, November 2017, Apr 2018



A gold Ferrari at a Chanel store



Recent leaks from tax havens suggest the gap between the rich and the rest is even wider than we think. In Norway, where the available wealth data is particularly detailed, the super-wealthy appear to be 30% wealthier than previously thought.

<https://www.theguardian.com/inequality/2017/jun/14/tax-evaders-exposed-why-super-rich-are-even-richer-than-we-thought>

<https://www.theguardian.com/business/2017/sep/12/worlds-wealthiest-families-keep-getting-richer-markets-boom>

<https://www.theguardian.com/business/2017/nov/08/bill-gates-jeff-bezos-warren-buffett-wealthier-than-poorest-half-of-us>

<https://www.theguardian.com/business/2018/apr/07/global-inequality-tipping-point-2030>

Vulture Fund Law

May, 2018

A law that aims at curtailing the activities of vulture funds and unethical financial speculation was approved by the Belgian parliament in 2015. A vulture fund registered in the Cayman Islands, NML Capital Ltd. (a subsidiary of Paul Singer's hedge fund Elliott Management Corp.), lodged a request to the Constitutional Court for its repeal. In May 2018 the Belgian Supreme Court rejected the request, thus confirming the law which is unique in the world. It is a victory for the peoples of the world in the face of a voracious profiteer of unregulated finance.

<http://www.cadtm.org/Law-against-the-activities-of>

<http://www.cadtm.org/The-Belgian-Supreme-Court-announces-its-verdict-total-victory-against-the>

'Considerations for an Ethical Discernment Regarding Some Aspects of the Present Economic-Financial System' published by the Congregation for the Doctrine of the Faith and of the Dicastery for Promoting Integral Human Development

May, 2018

Compliance, shadow banking, off-shore finance, by-products, intermediation ... It is certainly the first time that a magisterial text of this level has confronted economic and financial questions with such a high degree of technicality. Father Bruno-Marie Duffé, the Secretary of the Dicastery for Promoting Integral Human Development, explained that "We have moved from an economy of work to a financial and self-centered economy... This is no longer question of morals or ethics: here, we are touching upon the confession of the faith. It is thus a matter of founding moral exigence on the affirmation of faith and of not separating, in this domain,

faith from its translation into action or from collective responsibility.”

https://international.la-croix.com/news/strengthening-human-bonds/7618?utm_source=Newsletter&utm_medium=e-mail&utm_content=18-05-2018&utm_campaign=newsletter_crx_lci&PMID=ca4ce0563e46285947a35389589f090c

<https://international.la-croix.com/news/we-must-move-from-moral-intentions-to-political-decisions/7616>

Expanding Debt Relief and Responsible Lending and Borrowing

In 2016 and 2017, Jubilee USA built on one of their most significant accomplishments: moving the IMF to grant Ebola-impacted countries \$100 million in debt relief as part of creating a new debt relief trust fund (the Catastrophe Containment and Relief Trust (CCR)) for 38 of the world’s poorest countries in times of crisis. That relief, combined with their victories in Chad and Grenada, means that they have won \$1.3 billion in debt relief for vulnerable communities since 2015.

Campaign Achievements

Over the last year, Jubilee USA:

- Achieved one of Jubilee USA’s earliest campaign goals, a super bankruptcy process. The process can restructure 100% of Puerto Rico’s debt and stops vulture fund behavior. ^[L]_[SEP]
- Hosted Ecuador’s Foreign Minister to discuss stemming corruption and tax avoidance ^[L]_[SEP]
- Won a UN global development agreement that advances our debt, tax and trade efforts ^[L]_[SEP]
- Convened Puerto Rico’s Governor and creditors to hold a debt negotiation arbitrated by Puerto Rico’s Archbishop. ^[L]_[SEP]
- Won support for our legislation to stop ‘Panama Papers’-style corruption ^[L]_[SEP]
- Passed the only stand-alone bipartisan legislation in the last Congress. Working with Republican and Democratic leadership we crafted, moved and won Puerto Rico debt crisis legislation that stopped vulture funds, prevented austerity and created a super bankruptcy process ^[L]_[SEP]
- Increased transparency and accountability at international financial institutions ^[L]_[SEP]
- Advanced a global bankruptcy process at the United Nations ^[L]_[SEP]

[Jubilee USA 2017 Annual Report](#)

Japan

Japan 4th in ODA spending.

April, 2017

Japan provided the fourth-largest official development assistance among member countries of the Organization for Economic Cooperation and Development in 2016. Japan’s ODA spending increased 12.7% from 2015 to \$10.37 billion.

<http://the-japan-news.com/news/article/0003636008>

Japan among worst for aid transparency

June, 2018

Most of the world’s biggest aid donors are failing to make public what their spending achieves, according to a study that ranks China, the United Arab Emirates and Japan as the worst performers.

<https://japantoday.com/category/national/value-for-money-major-aid-donors-fail-transparency-test>

India’s Bullet Train & JICA

There has been much debate about how the Bullet Train Project violates the Indian Constitution, laws, and due processes. At the same time, the JICA Guidelines for investing in international projects are also being violated as much, if not more, according to a report in the CADTM newsletter.

<http://www.cadtm.org/Japanese-Investor-s-JICA-Guidelines-Violated-in-the-Mumbai-Ahmedabad-High-Speed>

Statistics

Trading Economics

<https://tradingeconomics.com/countries>

IMF Global Debt Database

<https://www.imf.org/external/datamapper/datasets/GDD>

Review of the Debt Sustainability Framework for Low Income Countries

October, 2017

<https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/10/02/pp082217LIC-DSF>

Africa's growing debt crisis: Who is the debt owed to?

October 2018

https://jubileedebt.org.uk/wp/wp-content/uploads/2018/09/Briefing_09.18.pdf