

Campaign to Cancel the Unjust Debts of Impoverished Countries

Newsletter

Spring 2020

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Apology

Apologies for the delay with this newsletter. Illness, injury, ageing. Due to the delay, there is a huge amount of news and I risk overloading readers. But the delay has a positive side. Because of corona virus, the debt problem has been in the media. Jubilee USA's executive director Eric LeCompte has been quoted around the world, even in Japan.

IMF cancels debt payments for six months to allow 25 poor nations to boost COVID-19 response

April 14, 2020

(excerpts)

The International Monetary Fund has approved funding of \$500 million to cancel six months of debt payments for 25 of the world's most impoverished countries so they can help tackle the COVID-19 pandemic.

U.N. Secretary-General Antonio Guterres and a group of 165 former global leaders and prominent international figures have urged the suspension of debt repayments for the world's poorest and most vulnerable countries so they can use their scant resources for the virus crisis.

Eric LeCompte, executive director of Jubilee USA Network, an alliance of more than 75 U.S. organizations and 700 faith communities working for debt relief, called the IMF announcement "an incredibly positive step."

"Many of these countries have fewer than 50 critical care unit beds per country," LeCompte said in a statement. "The Central African Republic has only three critical-care unit beds for a population of 5 million. These countries need to bolster their health systems right away and cancellation of debt for six months will help these countries."

<https://www.japantimes.co.jp/news/2020/04/14/world/imf-cancels-debt-payments-six-months-coronavirus/>

'US medical staff are begging for masks on social media.' 'Captain of US aircraft carrier begs Navy for help with coronavirus outbreak on ship.' If the wealthiest ever country has problems dealing with the virus, what hope have dirt-poor countries? It is a chance for us to experience a smidgen of what for the poorest is an everyday reality.

As usual, the complete version is available only in Japanese.

Introduction

Overview

I was hoping, naively, that the Jubilee 2000 campaign would solve the debt problem. But many countries are still poor and continue to borrow huge amounts. Many loans are contracted in secret, without parliament having any oversight. Some financial institutions urge poor countries to borrow from them. While some loans are for projects that will improve the economy, such as roads and power stations, others are just for politicians or bureaucrats to enrich themselves.

The Heavily Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative were supposed to put an end to the debt sustainability problems of low-income countries. But, according to the IMF, 34 out of 70 countries it assesses are currently in debt default or at high risk of being so, up from 17 in 2013. According to Jubilee Germany, 122 countries are in a critical debt situation.

Jubilee Debt Campaign has calculated that between 2010 and 2018 developing country average external debt payments increased by 85% and are at their highest level since 2004. Total external debt stocks of developing countries and economies in transition as a whole was an estimated \$9.7 trillion in 2018. Angola alone loses US\$12.1 billion a year in principal and interest payments on public Debt.

The IMF predicts debt levels will continue to increase.

Small Island Developing States (57 countries; list on Wikipedia) are of particular concern. Their external debt has increased 200-fold since the year 2000, with climate disasters playing a major role. The total in 2018 was \$742 billion.

In at least one of the years between 2014 and 2018, at least 20 governments in the global South spent more than one-fifth of revenue on servicing external debts. This exceeded more than 40% in six countries: Angola, Djibouti, Jamaica, Lebanon, Sri Lanka and Ukraine. This is due to an increase in debt payments, rather than a decrease in revenue.

In Sub-Saharan Africa, the proportion of government revenue destined for external debt service payments more than doubled, from 4.56% in 2010 to 10.8% in 2018.

Non-debt related government spending has decreased significantly in recent years. Between 2014-2018 resources spent on public services dropped by more than 18% in Latin America and the Caribbean and by 15% in Sub-Saharan Africa. The latest available World Bank data shows drops in education spending in relation to GDP in 21 low- and middle-income countries between 2015-2017.

Debt is prioritized over public health services: 46 countries were spending more resources on public debt service than on their health care systems as a share of GDP in 2018. Countries in this group spent on average 7.8% of GDP on public debt service and 1.8% of GDP on public health services.

Cuts to these public services are affecting women in particular, as women bear the burden of unpaid care work, which increases when services are cut. Cuts in education affect girls more than boys. In Chad, pregnant women are putting off going to important but expensive health check-ups, and their families are paying over a third of a month's income upfront to get through childbirth.

Background

The new debt crisis facing African countries is different from the first crisis the region experienced in the 1980s and 1990s. The debt crisis of the past was of a multilateral and bilateral nature. Debt was owed to multilateral financial institutions, mainly the International Monetary Fund (IMF), World Bank (WB) and the African Development Bank (AfDB). These International Financial Institutions (IFIs) due to the pressure from the Jubilee Movement (Church) and citizens came up with two debt relief initiatives: Highly Indebted

Poor Countries Initiatives (HIPC) in 1996 and the Multilateral Debt Relief Initiative (MDRI) in 2005. Over 30 African countries benefited from debt cancellation due to HIPC and MDRI.

Now private/commercial debts are growing as a share of total external debt in a number of African countries. This is as a result of access to international capital markets by middle income African countries such as Zambia, Ghana, Namibia, Senegal, and Cameroon. As of January 2019, a total of US\$92 billion debt was contracted by African countries, all in hard currencies.

Almost all African countries are contracting debt from new lenders such as China. As at 31 July 2019, the IMF reports that 37% of Sub-Saharan countries are either in debt distress or at risk of debt distress. Within the Africa region, Mozambique, Somalia, Sudan and Zimbabwe are some of the countries already in debt distress.

The majority of African countries are borrowing to finance development expenditure such as construction of roads and power stations. But some are borrowing for political purposes, such increasing expenditure before an election.

While global poverty levels are dropping, they are rising in Africa, with more than 150 million people living in extreme poverty in just two countries – Nigeria and the Democratic Republic of the Congo. The Bill & Melinda Gates Foundation projects that Nigeria and the Democratic Republic of Congo together will be home to 44% of the world's poorest people in 30 years' time if current trends continue.

<http://www.afrodad.org/index.php/en/12-news/141-strengthening-the-role-of-the-church-in-advocating-for-economic-justice-issues-averting-the-new-debt-crisis-in-africa>

<https://www.bbc.com/news/world-africa-51092504>

<https://erlassjahr.de/en/news/global-sovereign-debt-monitor-2019/>

<https://eurodad.org/Entries/view/1547105/2019/11/18/Civil-Society-Letter-concerning-the-draft-UN-Resolution-on-External-Debt-Sustainability-and-Development>

https://eurodad.org/covid19_debt1

https://eurodad.org/outofservice_press

[https://issafrica.org/iss-today/what-is-the-future-of-poverty-in-](https://issafrica.org/iss-today/what-is-the-future-of-poverty-in-africa?utm_source=BenchmarkEmail&utm_campaign=ISS_Weekly&utm_medium=email)

[africa?utm_source=BenchmarkEmail&utm_campaign=ISS_Weekly&utm_medium=email](https://jubileedebt.org.uk/blog/debt-payments-have-devastating-effects-on-public-spending)

<https://jubileedebt.org.uk/blog/debt-payments-have-devastating-effects-on-public-spending>

<https://jubileedebt.org.uk/press-release/reaction-to-150-million-in-uk-budget-for-coronavirus-debt-relief>

<https://www.nbcnews.com/health/health-news/blog/2020-03-31-coronavirus-news-n1172706/ncrd1173351>

<https://jp.reuters.com/article/imf-world-bank-debt-idJPKCN21V287>

https://www.southcentre.int/wp-content/uploads/2019/05/PB60_Exploding-Public-and-Private-Debt-Declining-ODA-and-FDI-Lower-World-GDP-and-Trade-Growth-Developing-Countries-Facing-a-Conundrum_EN-2.pdf

<https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2571>

https://unctad.org/meetings/en/SessionalDocuments/a74d234_en.pdf

<http://www.zimcodd.org/rising-debt-and-inequalities-resource-rich-countries-becoming-cause-concern>

United Nations

In July last year, the Secretary-General issued 'External Debt Sustainability and Development'. In September the United Nations Conference on Trade and Development (UNCTAD) issued the 200 page 'Trade and Development Report'. And in November UNCTAD organized a conference on debt management as well as releasing the 196-page 'The Least Developed Countries Report 2019'.

External Debt Sustainability and Development

A wall of developing country debt will come to maturity over the next few years, and no clear coordinated policy action is in place to address the situation. The World Bank has highlighted the risk of a fresh global

debt crisis.

In order to ensure the timely achievement of the United Nations' Sustainable Development Goals while avoiding deepening debt and financial distress across developing countries, additional and more drastic international policy action should be considered as a matter of urgency, including Sustainable Development Goal-related debt relief initiatives and increased official development assistance, with a focus on Goal-related investment requirements.

The IMF and the World Bank have made coordinated efforts to promote enhanced public debt transparency. https://unctad.org/meetings/en/SessionalDocuments/a74d234_en.pdf

Trade and Development Report 2019

Debt is mentioned many times in the report which includes some helpful diagrams.

FIGURE 1.9 External debt of developing countries and economies in transition, 2000–2018
(Billions of dollars)

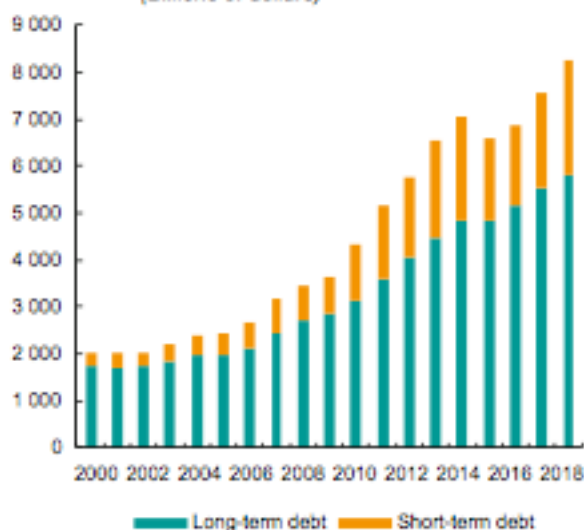


FIGURE 1.10 Structure of long-term external debt of developing countries and economies in transition, 2000–2018
(Billions of dollars)

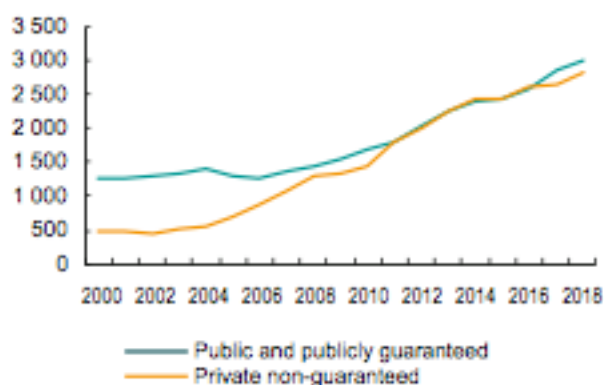


FIGURE 4.1 Global debt, 1960–2017

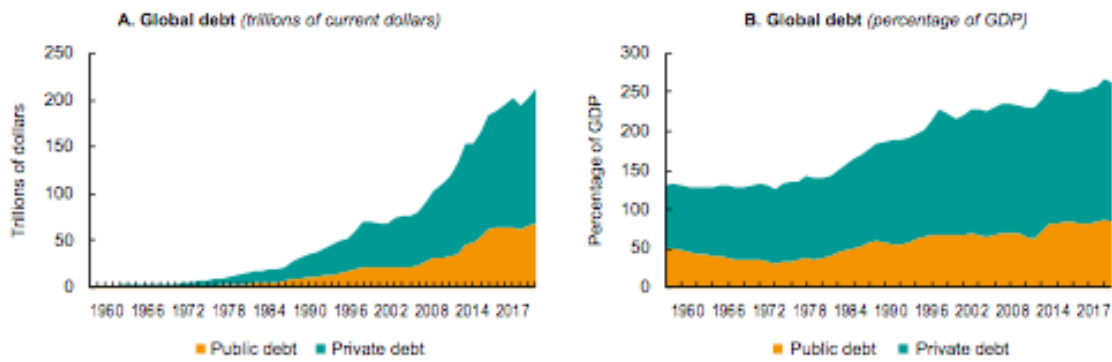


FIGURE 4.2 Total debt, developed and developing countries, 1960–2017
(Percentage of GDP)

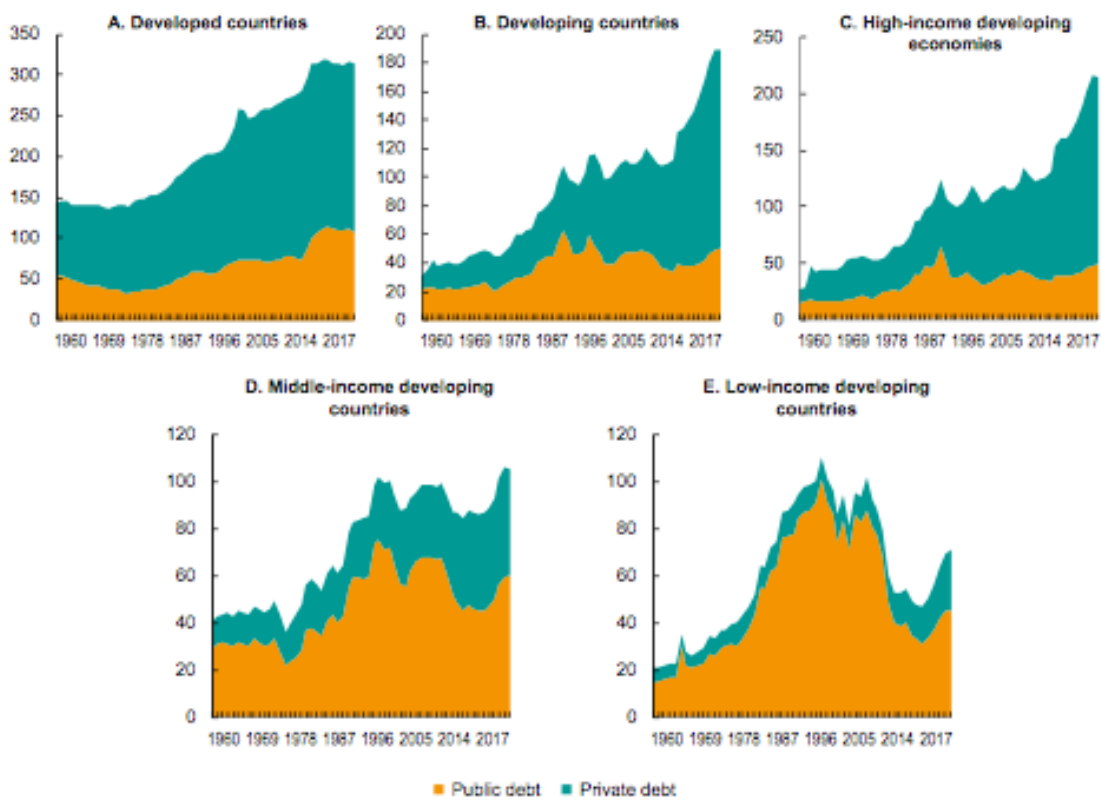
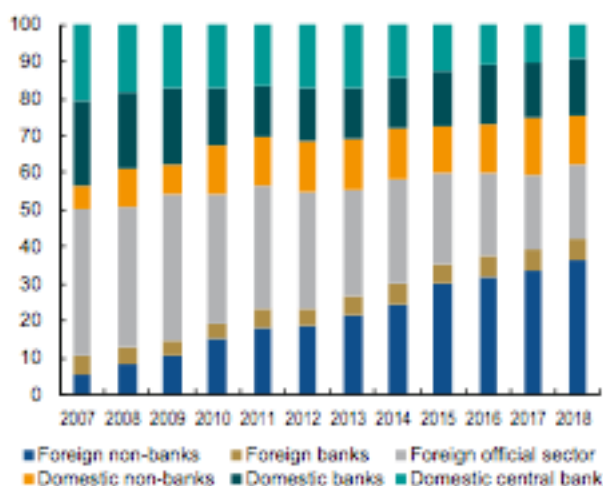


FIGURE 4.4 Who owns developing country government debt? Composition of government debt by creditors, selected developing and emerging economies, 2004–2018



Sovereign Debt Litigation

Since the Argentine debt crisis of 2001, over half of the recent sovereign debt crises have been litigated in foreign courts. The legal leverage possessed by creditors makes the sovereign debt instruments prone to complex and protracted litigation disturbing the debt restructuring process.

Provision of advisory and legal services to sovereign borrowers is a lucrative business for the professional firms involved. While the face value of the contested debt in an individual lawsuit varies between \$60,000 and \$9 billion, the median value is approximately \$17.3 million. Attorney’s fees in sovereign debt disputes in the US courts can pile up to millions due to the complexity and length of the litigation, which on average takes four and a half years.

The role played by advisory and legal firms is opaque to debtor states and their citizens.

https://unctad.org/en/PublicationsLibrary/tdr2019_en.pdf

UNCTAD Debt Management Conference

The 12th UNCTAD Debt Management Conference, subtitled ‘Making debt work for development’, was one of the best attended policy conferences ever, with several hundred participants, including Jubilee campaign staff, discussing topics such as how to tackle the unfolding developing country debt crisis, debt sustainability analyses, new debt transparency initiatives, and more effective debt workout mechanisms. Participants agreed that urgent action is needed to address the new wave of debt crises, and called for more political will.

[Poor Countries’ Debt is still a serious problem; the UN and many other organizations are tackling it. Apparently, no one from Japan participated. Why? The other G7 countries were represented.]

The massive surge in private debt in developing countries over the past three years has been remarkable, and is a consequence of financial liberalization and deregulation, and the rise of shadow banking. ‘Foreign non-banks’, such as investment funds and pension funds, now hold about a third of developing country government debt, and the debt stock increasingly consists of bonds. The share of official bilateral loans which were more than half of that debt in the 1970s, has fallen by two thirds. Developing countries have a riskier debt structure, as short-term debt continues to rise. Moreover, corporate debt surged massively, which causes additional systemic risks.

Many suitable and more ambitious proposals have been politically blocked.

The European Commission is working on EU-wide vulture funds legislation.

UNCTAD will continue to promote a new debt workout mechanism and principles for responsible lending and borrowing.

<https://eurodad.org/Entries/view/1547108/2019/11/22/Making-debt-work-for-development-Wrap-up-of-the-12th-UNCTAD-Debt-Management-Conference>

UNCTAD Least Developed Countries Report 2019

This is a key instrument for understanding what didn't work and, more importantly, what should be done to build an aid architecture that can close these countries' immense financing gaps, without planting the seeds of costly future debt crises.

Ugo Panizza

Professor, Graduate Institute for International and Development Studies

Geneva

<https://jubileedebt.org.uk/press-release/reaction-to-150-million-in-uk-budget-for-coronavirus-debt-relief>

https://unctad.org/en/PublicationsLibrary/lcdr2019_en.pdf

(Some) Causes

◆ World Bank President David Malpass chided other development banks for lending too quickly to heavily indebted countries, saying that some of them were helping worsen already-challenging debt situations.

Malpass said that the Asian Development Bank, the African Development Bank, and the European Bank for Reconstruction and Development are contributing to debt problems. "Other international financial institutions and, to some extent, development finance institutions as a whole, certainly the official export credit agencies, have a tendency to lend too quickly and to add to the debt problem of the countries."

(Reliable and complete figures of the external debt of many countries are hard to come by. Old data indicate that more than half of all official external bilateral debt of developing countries originates from ECA supported transactions. A 2011 Eurodad study concluded that almost 80% of poor countries' debts to other governments came from export credits, not development loans. Japan's official export credit agency is Nippon Export and Investment Insurance [NEXI].)

<https://www.thehindubusinessline.com/news/world/world-bank-chief-some-development-banks-are-contributing-to-debt-problems/article30790197.ece>

◆ Debt campaigners have accused the International Monetary Fund of encouraging reckless lending by extending \$93bn of loans to 18 financially troubled countries without ensuring that the debt burden was sustainable.

<https://www.theguardian.com/business/2019/oct/07/imf-accused-of-reckless-lending-to-debt-troubled-states>

Impoverished Countries

Africa

Poverty and roads in Africa

February 2020

The poor state of the road infrastructure in 49 countries in sub-Saharan African countries has led to isolation

of people from basic education, health services, trade hubs, and economic opportunities. Only 43% of the roads in Africa are paved. And 30% of all paved roads on the continent are in one country: South Africa.

The 2014 Ebola crisis in West Africa, which occurred in the rainy season, began as a health crisis but was actually an infrastructure crisis. Taking the blood specimen from the patient to the lab became invalid because of how long it took.

<https://www.bbc.com/news/world-africa-51092504>

Angolan ruler's daughter used her status to build \$2bn empire

January 2020

The complex financial schemes that helped Isabel dos Santos, Africa's richest woman, amass a fortune at vast cost to the Angolan state can be revealed for the first time after a huge leak of confidential documents. The documents appear to suggest that a business venture with the state diamond company allegedly resulted in \$200m of public debt propping up an ailing Swiss jewelry brand partly owned by her husband.

<https://www.theguardian.com/world/2020/jan/19/isabel-dos-santos-revealed-africa-richest-woman-2bn-empire-luanda-leaks-angola>

The **2nd CADTM East Africa Regional Meeting** was held in Nairobi in Kenya with participants from Uganda, Kenya and Tanzania as well as Morocco and India.

February 2020

“We believe that public debt is not bad in itself if they are contracted by the governments to finance the ecological transition, to replace fossil energies with renewable energies that respect the environment, to finance land reform, to finance peasant agro-ecology, to finance climate justice, to finance food sovereignty, to finance drastic reduction of road and air transport and replace them with collective transport, to finance the creation of decent jobs for all, to guarantee decent public services for all and to guarantee the respect of fundamental human rights of everyone. Public borrowing can thus be legitimate if those who contribute act in a legitimate way.”

<http://www.cadtm.org/Kangemi-Declaration>

Chad repaying \$100m debt to Angola with cattle

March 2020

Chad is repaying Angola a debt of \$100m with cattle. Chad is short of cash while Angola needs cattle. Angola would receive 75,000 cattle over 10 years.

<https://www.bbc.com/news/world-africa-51925035>

Debt-servicing conditions harm women in Africa

April 2019

A 2018 report by the UN Independent Expert on Foreign Debt and Human Rights notes that women in poor households spend more of their time performing unpaid care work than women in non-poor households. In addition, young women and elderly women predominantly do low-paid care work. Cutting care services in the face of high debt servicing costs can therefore directly and disproportionately impact women's lives. We see evidence of cuts in services that are vital to women's lives in cases like Mozambique, now facing a major debt crisis, where Human Rights Watch documented the government failing to investigate cases of domestic violence.

<https://www.brettonwoodsproject.org/2019/04/debt-and-gender-equality-how-debt-servicing-conditions-harm-women-in-africa/>

EU development aid for Africa, tied to blocking migrants

January 2020

European aid money earmarked for development in Africa is increasingly tied to how well countries can block their own citizens from trying to migrate across the Mediterranean.

<https://www.japantimes.co.jp/news/2020/01/30/world/eu-development-aid-africa-tied-blocking-migrants->

may-cause-harm-analysis-finds/

Using the debt crisis to advance donor-driven policies: Ghana

March 2020

From 2015 to 2019 the IMF and World Bank together gave \$1.7 billion in loans to Ghana as part of a bailout, while the same amount has been spent on external interest payments, mostly at interest rates of 8 to 10%, to private lenders. At the same time, Ghana has cut public spending by 17% per person as part of the IMF program.

With an increasing share of Ghana's budget diverted towards debt servicing, it has serious shortages of essential health personnel. Budgetary pressures led to a slowdown in recruitment of health personnel, in particular midwives and nurses. In addition, nurses, midwives, and doctors have protested the low wages they receive, compromising staff retention.

On International Women's Day several Ghanaian CSOs took a stand for improving gender equality in the labour market, education and health services. In a manifesto presented to a Minister, health CSOs underlined that "gender inequality still exists in health service delivery, and women's rights are continuously being infringed on."

This is the context in which the World Bank is supporting private health care and education. The Bank is calling on Ghana to expand for-profit commercial education by relaxing regulations for private providers. However, research by Oxfam demonstrates that the user fees applied by a private school chain in Ghana make their services inaccessible to the poor, thereby potentially entrenching social and gender inequalities.

<https://www.brettonwoodsproject.org/2019/04/debt-and-gender-equality-how-debt-servicing-conditions-harm-women-in-africa/>

<https://eurodad.org/Entries/view/1547147/2020/03/17/Using-the-debt-crisis-to-advance-donor-driven-economic-policies-The-case-of-Ghana>

The high cost of having China as Africa's partner of choice

March 2019

20% of Africa's external debt is owed to China, making it the largest single creditor nation. In return for investment capital and infrastructure, some countries grant China resource concessions, allow it to take an ownership stake in the infrastructure projects, or secure loans against their natural resources and assets as collateral.

The number of African countries indebted to China and subsequently handing over assets or resources includes Angola, the Democratic Republic of the Congo, Djibouti, Ethiopia, Kenya, Mozambique, Sudan and Zambia. In Zambia, China is already in control of the country's broadcasting company, and the state is preparing to offer its national electricity company to China as security against a loan.

Madagascar pledged a huge portion of its land as collateral for loans.

In the Democratic Republic of the Congo, in return for the US\$9 billion loan to upgrade road and rail systems that connect routes to extractive industries, China gained rights to extract up to 10 million tons of copper and 420,000 tons of cobalt over 15 years.

In Djibouti, by the end of 2016, 82% of external debt was owed to China and the country handed over control of its port which sits in a strategic location that acts as a main access point for American, French, Italian and Japanese bases in the country.

https://issafrica.org/iss-today/high-cost-of-having-china-as-africas-partner-of-choice?utm_source=BenchmarkEmail&utm_campaign=ISS_Weekly&utm_medium=email

Kenya defaults

October 2019

Kenya defaulted on a US\$4.9m debt owed to a Belgian export credit company for the construction of a water supply system.

<https://www.eca-watch.org/publications/newsletter-items/world-bank-warns-kenyan-eca-debt-distress>
<https://www.nation.co.ke/news/Economy-in-crisis-World-Bank-warns-of-debt-distress/1056-5330904-8605uiz/index.html>

Cost of China-built Railway Haunts Kenya

February 2020

Many Kenyans question the cost of the standard gauge railway that started to operate in 2017. Kenya borrowed more than \$4.5 billion from China to build the railway.

Critics of the project say it is putting the country into a debt crisis and making it dependant on China. “The loan from Exim Bank of China was paid to a contractor, so it never came to Kenya. What came to Kenya was debt. And the railway is a Chinese standard. So we cannot go to Brazil and buy spares for this. We must buy things from China. We are being tied to China forever.”

<https://allafrica.com/stories/202002270175.html>

Credit Suisse Liable for Mozambique’s Secret Debt?

March 2020

Mozambique has a debt crisis triggered by hidden loans from London-based banks, following which public spending fell 21% between 2015 and 2018.

The London branches of Credit Suisse and VTB Capital gave \$2 billion to state-owned companies in Mozambique in 2013. Most of the loans were secret, and came to light only in 2016. None of the loans was authorized by the Mozambique parliament.

US prosecutors believe they have evidence of the Swiss lender’s culpability for the \$2bn secret debt.

<https://allafrica.com/stories/202003170260.html>

<https://www.brettonwoodsproject.org/2019/04/debt-and-gender-equality-how-debt-servicing-conditions-harm-women-in-africa/>

https://jubileedebt.org.uk/wp-content/uploads/2020/01/The-growing-global-South-debt-crisis-and-cuts-in-public-spending_01.20.pdf

World Bank urged to scrap \$500m loan to Tanzania over schoolgirls' rights concerns

January 2020

Campaigners say education funding would be ‘inappropriate if not irresponsible’ in light of ban on pregnant girls attending school.

<https://www.theguardian.com/global-development/2020/jan/26/world-bank-urged-to-scrap-500-million-dollar-grant-to-tanzania-over-human-rights-concerns>

China accuses Zimbabwe of ‘understating’ support

November 2019

China accused Zimbabwe on Tuesday of understating its financial help to the southern African nation, after budget figures released last week showed that major ally Beijing ranked poorly on the list of Harare’s foreign donors.

Finance Minister Mthuli Ncube said in a budget statement that Zimbabwe received \$194 million from bilateral donors between January and September, the bulk of the money from Western countries. He said China provided \$3.6 million.

The Chinese Embassy in Harare said that bilateral financial support to Zimbabwe was far greater, at \$137 million between January and September.

In a country where authorities have a history of quietly racking up foreign debt without the approval of

parliament, the funding discrepancy has led to questions from the government's critics as to whether it is hiding figures or it has just made an accounting error.

<https://the-japan-news.com/news/article/0006172341?fp=dd814a4992acee32facb99839bdaa05b>

Asia

8th CADTM South Asia meeting

February 2020

The 8th CADTM (Committee for the Abolition of Illegitimate Debt) South Asia meeting discussed impacts of debt – both public and private – and strategies of response. The Colombo declaration reflects the hope and optimism generated by the spirit of this gathering.

<http://www.cadtm.org/Colombo-declaration-on-illegitimate-debt>

Lebanon to default on debt payments for first time

October 2019, March 2020

Lebanon is to default on a foreign debt payment for the first time in its history. With a 152% debt to GDP ratio, Lebanon is the third most indebted country in the world after Japan and Greece. Interest payments consume almost half of government revenues, crippling public finances.

More than 40% of the population could soon be in poverty. The crisis has severely hit public services, with electricity and water supplies frequently disrupted and rubbish left to pile up on the streets.

<https://www.bbc.com/news/world-middle-east-51785690>

<https://www.bbc.com/news/world-middle-east-50183895>

Mongolia

December 2019

Mongolia's total external debt was 250% of GDP or US\$ 30 billion in December 2019.

Every citizen, including newborn infants, of Mongolia carries a 23万円 debt.

https://bankinformationcenter.cdn.prismic.io/bankinformationcenter%2F1819a631-8cd6-4b5d-952a-216d18f893d6_comments_wbg+2020-2024_urgent+final+eng.pdf

<https://www.ceicdata.com/en/indicator/mongolia/external-debt--of-nominal-gdp>

Myanmar's Foreign Debt — The Big Picture

July 2018

Myanmar has total foreign debts of over USD9.1 billion, almost half of which is owed to China. Myanmar owes \$2.1 billion to Japan. The government borrowed over \$1 billion from the Japan International Cooperation Agency to implement six projects.

Myanmar's debt-to-GDP ratio is about 16%.

<https://www.irrawaddy.com/news/burma/myanmars-foreign-debt-big-picture.html>

Pakistan

November 2019

Pakistan's total external debt was \$106 billion. It paid a \$3 billion in external debt and loan servicing just in the quarter ended September 30, 2019. Debt servicing has become the largest item in expenditures in the federal budget. The debt-to-GDP ratio is close to 70%.

<https://tribune.com.pk/story/2100537/2-pakistans-external-debt-liabilities-rise-600m/>

<https://www.thenews.com.pk/print/473930-pakistan-s-total-debt-liabilities-rise-to-rs35tr>

http://www.cadtm.org/spip.php?page=imprimer&id_article=16078

Is Pakistan falling into China's debt trap?

April 2018

China has become the biggest lender to Pakistan. The China-Pakistan Economic Corridor (CPEC), part of the Belt and Road Initiative, will pour about \$62 billion into Pakistan, much of it in the energy sector.

[1] [2] [3] [4] [5] [6] [7] [8] [9] [10] [11] [12] [13] [14] [15] [16] [17] [18] [19] [20] [21] [22] [23] [24] [25] [26] [27] [28] [29] [30] [31] [32] [33] [34] [35] [36] [37] [38] [39] [40] [41] [42] [43] [44] [45] [46] [47] [48] [49] [50] [51] [52] [53] [54] [55] [56] [57] [58] [59] [60] [61] [62] [63] [64] [65] [66] [67] [68] [69] [70] [71] [72] [73] [74] [75] [76] [77] [78] [79] [80] [81] [82] [83] [84] [85] [86] [87] [88] [89] [90] [91] [92] [93] [94] [95] [96] [97] [98] [99] [100]
Gwadar Port, the deepest sea port of the world, is one of the main projects of the CPEC. It is an

alternative shipping route for transporting oil into China. Under the agreement, Chinese Overseas Ports will manage Gwadar free-trade zone on a 43-year lease with control of all the port's business affairs.

<http://www.cadtm.org/Is-Pakistan-falling-into-China-s>

ADB pushing billions onto Pakistan

February 2020

World Bank President David Malpass said the Asian Development Bank was “pushing billions of dollars” into a fiscally challenging situation in Pakistan. In December the ADB approved \$1.3 billion in loans for Pakistan, including \$1 billion for immediate budget support to shore up the country's public finances and \$300 million to help reform the country's energy sector.

<https://www.thehindubusinessline.com/news/world/world-bank-chief-some-development-banks-are-contributing-to-debt-problems/article30790197.ece>

Project Funds Diverted

April 2019

The Pakistani government has reportedly diverted around \$171 million meant for joint infrastructure development projects with China to projects under the United Nations' Sustainable Development Goals program.

<https://economictimes.indiatimes.com/news/defence/pakistan-diverts-bri-funds-china-ties-under-pressure/articleshow/68663216.cms>

Sri Lanka: IMF and Micro-Credit

February 2020

Hiruni, a fisherman's wife, who has to manage her household (five people) with an income of about 2.5 euros per day, is heavily indebted. In order to increase her household income, she borrowed 250 euros from the LOLC bank, which specializes in micro-credit. With this money she started the production of insecticide-treated mosquito nets (as recommended by foundations such as Bill Gates'), which she sold for EUR 10 each. For a while this worked, but two factors beyond her control worked against her: 1. the grossly abusive interest rate charged by LOLC (over 50% real interest rate) and the huge penalties for late payments; 2. a powerful commercial firm started selling imported nets at 25% less and payable in two installments. Hiruni was not able to withstand this competition because the price offered by this firm was lower than her production costs. She had to stop production and marketing of nets and was no longer able to continue normal repayments. This led her to contract another loan from another bank in order to resume payments to LOLC. Hiruni is over-indebted and desperate.

The IMF's actions has a direct impact on the fate of hundreds of thousands of women like Hiruni in Sri Lanka. “The IMF supports the right of credit companies to set the rates they want, in the name of ‘freedom’ of prices and the market.”

For years, the IMF has been pushing for an end to customs barriers protecting local producers: farmers, fishermen, artisans, etc. This is one of the reasons why Hiruni and others like her can no longer make a living out of what they produce. The IMF, together with the World Bank and other international institutions, also promotes the deregulation of the banking sector and micro-credit. It supports the right of credit companies to set the rates they want, in the name of ‘freedom’ of prices and the market.

This is why Hiruni and so many others have to pay exorbitant interest rates. The IMF, in collaboration with other international institutions, puts pressure on governments to privatize or close down public credit banks who were providing loans at reasonable, usually subsidized rates (i.e. without making profits), which the IMF and the World Bank abhor. This is another reason why Hiruni and others cannot find credit from government sources.

<http://www.cadtm.org/IMF-Inhuman-at-the-micro-and-macro-levels>

<https://www.lolc.com/lolc-micro-credit>

Latin America

China's New Focus on Latin America

July 2019

China has reduced its exposure in Venezuela and Ecuador, where it had accumulated significant shares of both countries' sovereign debt in exchange for promises of petroleum at below-market prices. It has hit the pause button on several major infrastructure projects linked to its Belt and Road Initiative. Most significantly, it has focused its investment in very specific strategic industries, such as lithium mining and renewable energy.

The bankrupt Venezuelan government owes China \$20 billion in interest payments over the next decade.

The Asia-Pacific Journal

Volume 17, Issue 13, Number 2

Argentina — Expert Seminar

December 2019

20 experts from Argentina and Europe, the majority with a background in academia, some practitioners from Argentinian institutions dealing with debt, and representatives of civil society organizations convened to discuss how the new government of Argentina could champion new initiatives on debt policy at the international level, and how innovative approaches could be pioneered in a (possible) new debt restructuring in Argentina.

<https://eurodad.org/Entries/view/1547118/2019/12/18/Report-from-the-Expert-Seminar-Promoting-governance-innovation-in-sovereign-debt-restructurings-What-are-our-options>

Ecuador riots after conditional IMF loan

October 2019

The government's removal of fuel subsidies last week plunged Ecuador into upheaval, triggering protests, looting, vandalism, clashes with security forces, the blocking of highways and the suspension of parts of its vital oil industry.

President Lenin Moreno is cutting subsidies in an attempt to reduce Ecuador's big debt. The cuts in fuel subsidies were among measures announced as part of a \$4.2 billion funding plan with the International Monetary Fund.

According to Michel Chossudovsky, the \$4.2 billion is tagged for the reimbursement of Ecuador's external debt. New loans to pay back old debts, a fake loan. He says the conditions underlying this loan are intended to impoverish the entire country. The IMF policy conditionalities are very specific. Massive layoffs in the public sector, dramatic hikes in fuel prices, reduction in real wages, the privatization of pension funds. The diesel fuel price more than doubled overnight. Gasoline prices increased by 29%.

Reportedly, the IMF agreed to the loan on the condition Ecuador gave up Julian Assange, the whistle blower who had been sheltering in the Ecuadorian embassy in London.

<https://www.globalresearch.ca/imf-hands-4-2-billion-loans-ecuador-julian-assange/5675232>

<https://www.smh.com.au/world/south-america/protesters-parade-kidnapped-police-as-ecuadorian-government-leaves-capital-20191011-p52zq4.html>

Pacific Islands

Pacific islands avoid China's 'debt-trap' diplomacy for now

November 2019

The New York Times reported that China had leased the island of Tulagi, prized for its deep-water harbor, from the Solomon Islands. This came less than a week after the country severed relations with Taipei and turned to Beijing. It appears that China had offered investment to the Solomon Islands as an incentive to switch.

<https://asia.nikkei.com/Opinion/Pacific-islands-avoid-China-s-debt-trap-diplomacy-for-now>

Solomon Islands discussed \$US100 billion loan from Chinese businessman

February 2020

Leaked documents reveal the Solomon Islands Government discussed a \$US100 billion loan from a Chinese businessman — an amount of money almost 77 times the Pacific nation's GDP. Where the \$151 billion dollars would come from is not clear.

<https://www.abc.net.au/news/2020-02-21/leaked-letters-solomon-islands-100billion-loan-chinese-business/11989270>

'Developed' Countries

China's Belt and Road Initiative

In 2013 China launched the Belt and Road Initiative (BRI). Sometimes referred to as the New Silk Road, the BRI is one of the most ambitious infrastructure projects ever conceived. It is a vast collection of development and investment initiatives which includes 1/3 of world trade and GDP and over 60% of the world's population.

China is lending staggering amounts of money to countries participating – so much that China is now the world's largest creditor. By 2018 lending soared to around US\$5 trillion, which dwarfs World Bank and IMF credit lines.

The venture has been branded a 'debt trap' by the US and its key Western allies. There have been some high-profile cases of assets involving repayment arrears where debt has been converted to equity. The cases of Pakistan, with the Gwadar port, and Sri Lanka with the Hambantota port, are instances.

There have also been cases where China has demonstrated restraint. China extended debt relief to 28 out of 31 of the most heavily indebted countries in the world – and totally cancelled the debts owing in the cases of Afghanistan, Guinea and Burundi.

<https://www.asiatimes.com/2019/07/article/hidden-debts-reveal-risks-of-chinas-le...>

<https://www.cfr.org/backgrounders/chinas-massive-belt-and-road-initiative>

<https://www.eca-watch.org/publications/newsletter-items/hidden-debts%E2%80%99-reveal-risks-china%E2%80%99s-lending-spree>

<https://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative>

<https://yaleglobal.yale.edu/content/asia-pacific-journal-japan-focus-chinas-bri-goals>

Jubilee USA Successes

December 2019

Jubilee USA had \$8 billion of Puerto Rico's debt cut.

Jubilee USA is moving forward Somalia debt relief and won IMF, White House, Treasury and State Department support. Of the \$4.6 billion debt, \$1 billion is held by the US and canceling it requires an act of Congress.

The president of the United Nations asked Jubilee to share our work at the UN General Assembly with the world's Presidents and Prime Ministers. We organized the highest level event during the IMF meetings for finance ministers and world leaders.

Jubilee USA found out that debt relief and development aid was stolen by dictators and corrupt officials through shell companies. Thanks to our continued efforts together, our Jubilee USA legislation to stop anonymous shell companies can now become law.

We passed our bipartisan Jubilee Corporate Transparency Act through the House in October and won White House and Treasury support. The legislation protects debt relief and stops human traffickers. Now we need

to pass the legislation in the Senate.

Pope Francis lifted our analysis on debt, tax, trade and transparency issues.

Our Jubilee USA efforts to end poverty were covered in tens of thousands of newspapers, magazines and television programs around the world.

Jubilee USA Network
End of Year Report

Japan

Japan — \$643m for Angolan port

January 2019

Trading company Toyota Tsusho and the Japan Bank for International Cooperation are joining forces on a port project in Angola. The plan is to raise 70 billion yen (\$643 million) from both public and private lenders in Japan to help the African country fund the endeavor. The Angolan government will receive loans from export credit agency JBIC.

Japan's businesses and government say they will ensure host countries' debts remain sustainable. To encourage private lenders to participate, Nippon Export and Investment Insurance is to insure the amounts they offer.

<https://asia.nikkei.com/Economy/Japan-edges-in-on-Belt-and-Road-with-643m-for-Angolan-port>

<https://www.eca-watch.org/publications/newsletter-items/japan-edges-belt-and-road-643m-angolan-port>

Japan tries to differentiate its African investment projects from China's

August 2019

Japan's strategic policy on Africa has shifted from government aid to promoting private-sector investment. Its unofficial agenda seems to be to differentiate Japan's economic cooperation from that of China, which has long surpassed Japan as a massive business investor in the continent's rapidly growing economies.

At the G20 summit in Osaka in June, Tokyo drafted a document calling for "quality infrastructure investment". The paper urges the G20 countries, including China, to attach importance to the fiscal sustainability of a recipient country when extending loans for infrastructure projects.

The Osaka declaration also urges member countries to pay attention to transparency, environmental friendliness, resilience against natural disasters and social inclusiveness, which observers say all may make Japan's pricier "quality" infrastructure projects more competitive than those promoted by China.

More than 3,700 Chinese firms are reportedly doing business in Africa and about 1 million Chinese are living there, while Japanese firms have offices at just 800 locations. About 8,000 Japanese live in Africa.

Japanese banks had extended a total of \$15.5 bn in credit to African nations through the end of March, double the sum from a decade ago. Japanese direct investment totaled \$7.8 bn at the end of 2017, well below China's \$43 bn.

The Japanese government will create trade insurance that will fully cover infrastructure-related exports and loans to Africa, hoping to encourage companies here to make further inroads into a region considered the last frontier of the global economy.

<https://www.japantimes.co.jp/news/2019/08/30/national/politics-diplomacy/ticad-closes-effort-japan-differentiate-african-investment-projects-chinas/>

<https://asia.nikkei.com/Business/Banking-Finance/Africa-beckons-as-land-of-deals-for-Japan-s-top-banks>

<https://asia.nikkei.com/Politics/Japan-s-trade-insurance-to-cover-full-African-investment>

Tokyo pressed El Salvador to prevent Beijing influence over port

December 2019

The Japanese government prevented a Chinese corporation from getting operating rights at a port in El Salvador to be built with a concessional loan from Tokyo.

<https://mainichi.jp/english/articles/20191231/p2g/00m/0fp/004000c>

Tax Havens

Japan tax evasion hunt extends to nearly 2m offshore accounts

December 2019

Japan has learned of close to 2 million overseas accounts as it broadens its search for tax evaders to smaller balances.

<https://asia.nikkei.com/Economy/Japan-tax-evasion-hunt-extends-to-nearly-2m-offshore-accounts>

The great American tax haven: South Dakota

November 2019

In the past decade, hundreds of billions of dollars have poured out of traditional offshore jurisdictions such as Switzerland and Jersey, and into a small number of American states: Delaware, Nevada, Wyoming – and, above all, South Dakota.

A decade ago, South Dakotan trust companies held \$57.3bn in assets. By the end of 2020, that total will have risen to \$355.2bn.

According to an official in a traditional tax haven, the protections offered by states such as South Dakota are undermining global attempts to control tax dodging, kleptocracy and money-laundering.

<https://www.theguardian.com/world/2019/nov/14/the-great-american-tax-haven-why-the-super-rich-love-south-dakota-trust-laws>

UK

Britain's Loan to Pay Off Slave Owners “Not Repaid Until 2015”

February 2018

Her Majesty's Treasury recently revealed that British taxpayers were paying off slavery debt, the compensation afforded to former slaveowners, until 2015. The British government used 40% of its national budget, almost US\$30 million dollars at the time, to compensate slave owners as part of the Slavery Abolition Act in 1833. The funds were borrowed to reimburse those who enriched themselves from the slave trade.

The taxes of 300,000 West Indian people who have been living in Britain were used to pay back the slavery loan, which amounts to double exploitation. The descendants of slaves, had to help pay ‘compensation’ to those who enslaved their ancestors.

The British government refuses reparations to Caribbean communities that were formerly part of the British empire and refuses to engage on the present-day legacies of chattel slavery.

<https://www.telesurenglish.net/news/Britains-Loan-toPay-Off-Slave-Owners-Not-Repaid-Until-2015-20180223-0016.html>

Catholic

Bishops wary about Argentina-IMF talks

January 2020

With the government starting debt restructuring talks with the IMF, the Argentinean Bishops' Conference

wants the discussions to be centered around human dignity. "Debt restructuring cannot be satisfied at the price of economic suffocation of a country," the Episcopal Commission for Social Pastoral Care noted.

The Commission considers that international organisations have used indebtedness as a pretext to "impose an economic and cultural model that perpetuates poverty, unemployment and social inequality, while contributing to exploitation and abuse of our common home."

<https://international.la-croix.com/news/bishops-wary-about-argentina-imf-talks/11573#>

US Bishops' letter to White House

^[1]_{SEP}"As the G20 considers a suspension of debt payments from the 76 poorest countries in the world, the United States can lead the world, again, in calling on wealthy countries, the G20, the IMF and World Bank, to suspend debt payments for developing countries," wrote Bishop David J. Malloy on behalf of the US Catholic Bishops along with Jubilee's Eric LeCompte. "Suspending debt payments, with no interest, can immediately allow countries to access funds to bolster their health systems and support needed stimulus packages in the developing world — allowing these countries to provide for their own health, safety and security."

Jubilee USA email 11 April, 2020

Reduce economic inequality, Pope tells global finance leaders

February 2020

During a high-level gathering at the Pontifical Academy of Social Sciences, Pope Francis urged leaders of major financial institutions and economic experts to reduce rising income inequality by prioritizing the needs of the poor. The meeting brought together top representatives from the World Bank and the International Monetary Fund, as well as economic experts and government ministers of finance.

"The world is rich, and yet the number of poor people is swelling all around us," the pope said. Five million children under the age of five will die this year alone because of poverty and another 260 million will go without education because of war, lack of resources and migration, Francis noted.

He pointed out that the richest 50 people in the world hold assets equivalent to \$2.2 billion, which could finance the medical care and education of every poor child in the world and save the lives of millions each year.

The problem is more than just indifference and inaction, the pope said, there also exist what St. John Paul II called 'structures of sin' that thrive in conditions where the common good is set aside and the 'idolatry of money, greed and speculation' rule. "The structures of sin today include repeated tax cuts for the wealthiest people, often justified in the name of investment and development; tax havens for private and corporate profits; and the possibility of corruption by some of the world's largest corporations, not infrequently in line with the political establishment," he said.

"Every year hundreds of billions of dollars, which should be paid in taxes to finance health care and education, accumulate in tax haven accounts, thus preventing the possibility of dignified and sustained development" for everyone, said Francis.

Meanwhile, "impoverished people in heavily indebted countries are facing overwhelming tax burdens and cuts in social services as their governments pay off insensitive and unsustainable debts," he added.

https://international.la-croix.com/news/reduce-economic-inequality-pope-tells-global-finance-leaders/11768?utm_source=Newsletter&utm_medium=e-mail&utm_content=06-02-2020&utm_campaign=newsletter_crx_lci&PMID=ca4ce0563e46285947a35389589f090c

Statistics

https://eurodad.org/debt_moratorium

<https://jubileedebt.org.uk/countries-in-crisis>

<https://jubileedebt.org.uk/countries> [2017; plan to update 2020]

https://unctad.org/en/PublicationsLibrary/tdr2019_en.pdf
<https://www.cadtm.org/Debt-Against-the-People-an-ABC>