International situation and Illegitimate debt
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According to the odious debt doctrine theorised by Alexander Sack in 1927, a debt may be considered odious if it fulfils two conditions:

1. **The population does not enjoy the benefits:**
   the debt was incurred not in the interests of the people or the state but against their interest and/or in the personal interest of the leaders or persons holding power.

2. **Lenders’ complicity:**
   the lenders had foreknowledge, or could have had foreknowledge, that the funds concerned would not benefit the population.

The democratic or despotic nature of a regime does not influence this general rule.
Long list of debt repudiations

- **1797**: French revolution
- **1837**: Portugal
- **1837**: USA (Mississipi, Arkansas, Florida and Michigan)
- **1861** and **1867**: Mexico
- **1865**: USA 14th amendment to the constitution
- **1898**: USA versus Spain about Cuba
- **1918**: the soviet repudiation of all the debts
- **1919**: Costa Rica
- **1919**: Traité de Versailles, repudiation of the debt to the African territories colonized by Germany
Publication of the odious debt doctrine in 1927 in Paris

More repudiations:

- **1933-1934**: USA President Roosevelt's decision to delink the dollar from gold and to devalue the dollar dramatically, which constitutes a repudiation of international obligation.
- **1934**: Cuba
- **1949**: China
- **1956**: Indonesia
- **1958**: Guinée Conakry / Sekou Touré
- **1959**: Cuba
- **1960**: Lumumba / Congo
- **1962**: Algeria
- Algeria brought the debate on odious debt in the UN
1985-1987
Castro and Sankara on illegitimate debt

2003: the Bush administration proposed the cancellation of the debt reclaimed to Irak because it was odious.

2005: Paraguay repudiates odious debt to Swiss banks.

2007-2008: Ecuador refuses to continue paying illegitimate debts identified by a citizen audit.

2008-2009: Iceland refuses to pay a debt claimed by the UK and the Netherlands.

2015: Ukraine refuses to pay a debt claimed by Russia in the face of duress by Putin's regime.
The necessity of the struggle for the cancellation of the odious debt reclaimed to Sri Lanka

• **Most of the debt claimed from Sri Lanka is odious**

• **This debt was accumulated in order to pursue policies contrary to the interests of the people**

• **Lenders were aware of this**, starting with multilateral institutions such as the World Bank and the IMF, but also the Paris Club, private creditors and more recently China.
The policies funded by the lenders have:

• **worsened** Sri Lanka’s food dependency;

• **exacerbated** the ecological and climate crisis;

• **greatly increased** inequality;

• **increased** the pressure to migrate

• and **reinforced** the trend towards authoritarian regime
Local elites

• The local elites, or if you like the local ruling classes, are in favour of indebting their country in order to pay as little tax as possible.

• Moreover, they buy internal and external debt securities and get richer thanks to the repayment of the debt.
Bad international environment for Sri Lanka

• Again, **exogenous shocks** beyond Sri Lanka's control aggravate the situation
• The **increase in interest rates** by the FED and the ECB
• **Appreciation of the dollar** against the LK Rupee
• **Rising food import bills**
• And for countries like Sri Lanka that do not export gas or oil, **increased fuel import bills**
• **Refinancing debt repayments** became an increasingly serious problem.

IT IS HIGH TIME TO ACT
Delinking is once again very topical

It is necessary to:

• suspend the payment of the debt,

• reject the continuation of the anti-social and neo-liberal conditionalities imposed by the IMF and the World Bank,

• audit the debts with the participation of the citizens;

• repudiate debts identified as odious.
The cancellation of illegitimate and odious debt is not enough

- **Sovereignty** must be regained over the various strategic areas
- **An endogenous, self-centred development model** must be adopted, with the guarantee of economic, social, cultural and political human rights as a priority. Gender equality must be fully achieved
- Adopt a **socially just tax system** that increases the revenues of the state and reduces its need to finance itself through foreign debt
- There is a need for a **public banking sector**
- It is necessary to **regain control** over the currency and foreign trade
- We need to **protect small farms, small businesses**
Biblio


• Eric Toussaint and Damien Millet, Debt, the IMF, and the World Bank: Sixty Questions, Sixty Answers, Publisher Monthly Review, New York, 2010


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