

<https://internationalviewpoint.org/spip.php?article4107>



Greece

Restructuration, Audit, Suspension and Abolition of the debt

- IV Online magazine - 2015 - IV486 - July 2015 -

Publication date: Monday 6 July 2015

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Debt restructuring has always been the result of economic and geopolitical calculation, rarely producing a favourable long-term outcome for the debtors; unless the creditors saw a strategic advantage for themselves in it says Toussaint. Sovereign debt “restructuring”, as it is now called by the IMF, the Paris Club and the big banking corporations, and more recently by the left in Greece, Portugal and Spain, is not a satisfactory expression, in fact using the actual term “restructuring” is dangerous, because the creditors have loaded it with what they want it to mean. He recommends that progressive governments place great importance on carrying out comprehensive debt audits (with popular participation), linked where necessary to suspension of payments. This audit must lead to the abolition of the part of the debt that is illegal, illegitimate, odious and/or unsustainable and to imposing a reduction on the amount of the remainder. This remainder may be restructured, but in no way can a restructuring be considered, by itself, sufficient.

So what is debt “restructuring”?

According to definitions seen in official documents published by the IMF [1] and the Paris Club, a restructuring of sovereign debt supposes, in the vast majority of cases, exchanging one set of debts for a new set of debts or of liquidities in very small quantities. In general a restructuring of debt is the outcome of negotiations between debtor countries and different types of creditors.

The restructuring of a sovereign debt may take one of two principal forms: [2]

1° a new payments schedule: by reducing interest rates in order to reduce the level of repayments and/or prolong the repayment period;

2° restructuring may include a reduction of the amount of the debt (by renouncing sums due). Most often it is old debt obligations or old contracts that are replaced by new ones. A reduction of debt may be implemented by a repurchase of obligations with available liquidities.

A repurchase of debt is rare. About 600 restructurings took place between 1950 and 2010 but only 26 involved repurchases with liquidities. This is a very small minority of restructurings which for the most part were tied to HIPC agreements in which a part of a country’s creditors were reimbursed by the other creditors. [3]

Sovereign debts are restructured in times of crisis, often following a repayment default, or in a situation of real danger of default (total or partial suspension of payments). When the IMF, the Paris Club or the Troika step in to organise a debt restructuring their prime consideration is to recreate a solvable debt situation in a country by easing the burden of repayments. Very often, in return for the restructuring they impose conditions that run against the interest of the indebted country and its people. [4] Also, the creditor’s geopolitical strategies play a decisive role in choosing which countries may qualify for restructuring of their debt and the conditions that are imposed in return.

Has there ever been debt restructuring by creditors that has been beneficial, in the long term, for debtors?

Yes, there is the particular case of Germany. [5] At a conference held in London in 1953, West Germany’s creditors, US, UK, France, Belgium and the Netherlands, [6] agreed to an important reduction of Germany’s outstanding debt.

Amounts borrowed between the wars and immediately afterwards were reduced by 62.5%. A moratorium of five years was also granted and claims for war debt and damages, caused by the Nazi invasion and occupation, were postponed sine die. It is estimated that the total debt reclaimed by the Allied powers from Germany was reduced by 90%. [7] What is more, the repayment terms for the remainder were restructured to allow Germany to rapidly reconstruct itself and its economy.

What were these favourable terms?

1Â°: Germany was able to repay most of its debt in its own currency, even though the Deutschmark had very little value. As a defeated and destroyed country, Germany's money was considered to be without great interest on the exchange markets. The Deutschmark was neither a safe currency nor a strong one. This possibility was largely beneficial. It must be pointed out that it is very rare that creditors accept that a country repay in its own currency if that is a weak currency. [8] Usually hard currency (Euro, Dollar, Yen Pound, etc.) is demanded.

2Â°: the creditor countries promised to buy German goods in order to create an export market that would in turn produce commercial income, foreign exchange reserves and a healthy balance of payments.

3Â°: the creditors accepted that, in case of litigation with Germany, the German courts would be competent.

4Â°: it was decided that Germany would not use more than five percent of its export revenues to repay debt.

5Â°: interest rates would not be higher than five percent and in some cases could be renegotiated and reviewed downwards.

These conditions allowed Germany to quickly rise out of its ashes. We must be aware that the London agreements only concerned what was, at the time, West Germany. The country was divided into East Germany (German Democratic Republic – GDR) which was aligned with the Soviet bloc, and West Germany (Federal Republic of Germany – FRG) aligned with the West. If West Germany's creditors made such concessions it was because, in the context of the Cold War with the Soviet Union, they needed a stable Germany. They feared that if big social movements arose in a shaky Germany it would be a menace to their interests. Also, they did not want to make the same mistake as was made in the Versailles Treaty in 1919 that imposed unsustainable conditions on Germany. [9] Finally, it must not be forgotten that since the end of the 19th century Germany had become the strongest economic and military force in Europe.

To summarise, not only was the burden of debt very much alleviated and much economic help given to Germany (the equivalent of \$10 billion 2014 US dollars was channelled to West Germany through the Marshall Plan between 1948 and 1952 [10]), but especially, the country was allowed to deploy an economic policy that favoured its growth. The big industrial corporations were consolidated, including the very ones that had played key roles in the First World War military adventure and had supported the Nazis and the genocide of Jews and gypsies, the plundering of the occupied and annexed countries and the enormous military production and logistic effort of the Second World War. Germany was able to build impressive public infrastructures; the country supported its industries to satisfy interior demand and win foreign markets.

The conditions in which the debt of West Germany was abolished are clearly difficult to imagine today. It will be very difficult for countries such as Greece, Cyprus, Spain and Portugal to obtain, through a debt restructuring process, similar conditions to those granted to Germany in the 1950s. It would seem impossible because of the composition and policies of European authorities, the governments of the strongest European countries, IMF policies and the current context.

What examples are there, other than West Germany, of debt restructuring favourable to debtors?

Another case of favourable debt restructuring is that of Poland in 1991. The country was granted a big reduction, of about 50%, of its bilateral debt to Paris Club creditors. They wanted to help the pro-western government of Lech Walesa [pronounced – Vawensa] that had just quit the Warsaw Pact, the military alliance between Soviet bloc countries. This debt reduction was certainly less significant than that granted to West Germany in 1953, but the context was somewhat similar. Poland was one of the most important countries to defect to the West, adopting the appropriate neoliberal economic measures and privatisation policies, which led to Poland joining the EU a few years later.

It was during the same G7 summit in London in 1991 that Egypt was granted a 50% reduction of its bilateral debt with Paris Club members. The US and its allies were seeking support for their first Gulf War from the Egyptian President Mubarak.

It may be recalled that Iraq, too, benefited from a debt reduction in 2004, [\[11\]](#) after the US and its allies invaded the country on 20 March 2003. A few days later the US Secretary of the Treasury invited his G7 opposite numbers to a meeting in Washington, in which he declared the debt incurred by Saddam Hussein to be odious. He pressed Iraq's creditors to concede a very large debt reduction, so that the new authorities appointed by the occupiers, could quickly rebuild the country. The principal bilateral creditors of Iraq reduced their demands by 80%, the other creditors (private, World Bank and IMF) followed up.

What are the similarities and differences between the above cases?

What these examples have in common is that they all happened in a situation of armed conflict or extreme tension between blocs. This brought the dominant power, in this case the US, to get its partners to agree to a significant debt reduction, thus serving its strategic interests. Nevertheless, the 1953 agreement in favour of Germany is an exceptional case: the conditions that were put into place really aimed at making the country a World power once again. While the other countries were thanked for their allegiance, the aim was not to create real economic powerhouses. The gestures that were made towards these other countries are comparable to the treatment that Medieval overlords might have reserved for their faithful vassal States.

Have there been cases where the State that has its debt restructured does not continue to show allegiance?

I know of only one case that did not turn out as the creditors had planned. This was the case of Bolivia which, in 2005, benefited from a reduction of its multilateral debt within the framework of the MDRI (Multilateral Debt Relief Initiative) created by the G8, the World Bank, the IMF and other multilateral lenders, as a prolongation of the HIPC (Highly Indebted Poor Countries) initiative. Here too, the lenders thought they were dealing with the authorities of a docile country. Bolivia had been exposed to “shock strategy” in 1985, in the form of a massive privatisation programme hatched with the active collaboration of the IMF, World Bank, Paris Club and the US. After twelve years of structural adjustment policies Bolivia's economy was on its knees. So it gained entry to the HIPC initiative. Bolivia agreed to continue the structural adjustment programme and in return was granted debt relief. [\[12\]](#) However, Evo Morales, who was not part of the docile elite, was elected as the MAS (Movimiento al Socialismo – movement for Socialism) party candidate. When this happened the debt relief had already been granted and it was too late for the creditors to back out.

This restructuring was, in this case, beneficial to the country and its population. At the same time as the debt write-off happened, the government turned its economic policy around and refused the measures imposed by the creditors. This is important, because many countries that have obtained comparable debt relief have continued 5 or 10 years

more of structural adjustment policies and the economies and the populations have not benefited. Note that whenever creditors granted significant debt relief it was in their strategic interests to do so.

And Argentina? After the biggest suspension of payments in history, in 2001 the Argentine government renegotiated its sovereign debt. What were the conditions?

Yes! In 2005 and in 2010 Argentina's debt was restructured through an exchange of bonds: old bonds were exchanged against new ones. This was the situation: in December 2001, the Argentine authorities, under the interim President Adolfo Rodríguez Saá, unilaterally suspended debt repayments amounting to \$80 billion to private creditors and the Paris Club (\$6.5 billion). Notice that they did not suspend payments to multilateral organisms such as the World Bank, the IMF and others. This action came about in a situation of economic crisis and popular revolt against the policies that had been followed for years by successive neoliberal governments, of which Fernando de la Rúa was the most recent. It was thus under pressure from the street at a time when the treasury was empty that the Argentine authorities suspended debt repayments.

Argentina's suspension of payments of sovereign debt bonds lasted from December 2001 to March 2005. This was beneficial for the Argentine economy and population. Between 2003 and 2009, Argentina's economic growth was between 7% and 9%. Some economists claim that this growth was due to the rise in the prices of Argentina's raw materials exports, but it is clear that if Argentina had continued paying off its debt, the increased exports income (in other words, the taxes levied on the exporting companies) would have been used for the debt repayments.

Between 2002 and 2005 the Argentine authorities negotiated with their creditors to convince a majority of them to agree to exchange the bonds they held for new ones, written down by 60%, but with a stronger guarantee and a favourable interest-rate indexed on Argentine GDP growth. This was debt restructuring by exchange of bonds: by March 2005, 76% of outstanding bonds had been exchanged, a majority that was considered sufficient protection against the 24% who refused the exchange. The authorities announced, at the time, that those who refused the exchange would have no further occasion to negotiate.

So why did Argentina restructure its debt again, in 2010?

Indeed, in contradiction with previous declarations and despite the protests of Roberto Lavagna, the minister of economic affairs who had taken part in the 2005 negotiations, the government of Argentina did open a new round of negotiations with the remaining 24% of the creditors. A new agreement was reached with 67% of that 24% in 2010. In all, 8% of all the bonds whose payment had been suspended since 2001 "held out" against both agreements. Both agreements contained clauses stipulating that in case of litigation involving the new issues, US courts would be the competent jurisdiction. [\[13\]](#)

In the end, can this restructuring be considered a success? Can other governments follow the Argentine strategy?

The Argentine authorities claim success because of the 50% to 60% reduction of debt stock. But, in return, big concessions were made: high interest rates; indexation to Argentina's GDP growth, which means that the country actually agreed to hand over a share of its growth profits to the creditors; renouncing sovereignty in case of litigation

In fact, Argentina's example is not the one to follow, but it is a source of inspiration. It shows the interest of suspending payments and the limits of a negotiated deal that makes big concessions to the creditors. The current situation is evidence enough. Firstly, the amounts in fact reimbursed to creditors are considerable; Argentina itself acknowledges that it has reimbursed \$190 billion since 2003; Secondly, although Argentina's debt was certainly lower between 2005 and 2010, today the amount of Argentine debt is higher than it was in 2001. Thirdly, Argentina is under heavy and unwarranted pressure to reimburse the Vulture funds that refused to accept the exchange offers, after not only a New York judge but the US Supreme Court ruled in favour of the Vulture funds. [\[14\]](#)

Was Ecuador's public debt not reduced in 2009 after the audit of 2007-2008? Can this be called "restructuring"?

No, in the case of Ecuador, this is not a genuine restructuring. [15] There was no exchange of bonds, especially since there was no negotiation with creditors. This was a very good thing. Old bonds were not replaced by new ones. Ecuador unilaterally suspended repayment of its public debt and told private creditors holding the bonds, called bonos Global 2012-2030, [16] that it would repurchase them with a 65% haircut and a fixed term. These bonds no longer exist. Ecuador did not restructure its debt: it never negotiated interest rates or rescheduling of repayment on new bonds with its creditors.

Ecuador combined this with an integral audit of its public debt, which preceded its suspension of repayment. In July 2007 a Commission for an integral audit was created in which I took part. It worked until September 2008, i.e. for 14 months, during which there was constant dialogue between the government and the commission members. They submitted their recommendations to the government and to the President. On this basis Ecuador's executive power decided to suspend repayment of part of its debt, as explained above. Only later in 2009 did it force creditors to accept a significant haircut.

Some figures: Ecuador's Public Treasury bought bonds that were worth \$3.2 billion for less than \$1 billion. It could thus save about \$2.2 billion on the principal of its debt, to which should be added \$300 million in yearly interest for 2008-2030. All in all, Ecuador saved over \$7 billion. This released new financial resources for the government to increase its social expenditure in the fields of health care, education, social assistance and in the development of communications infrastructures.

Can we say that this approach is more beneficial than the one chosen by Argentina?

Clearly it is. One might also wonder whether Ecuador's determined position prevented the country from getting renewed access to the financial markets. The answer is no. While in 2009 Ecuador forced its creditors to accept the reduction I've just mentioned, only 5 years later, the country floated new bonds on the financial markets, at an interest rate of some 7%, which was below the rate paid by Argentina or Venezuela (Venezuela has regularly repaid its debts since 1990 at rates that vary between 12 and 15%). This goes to show that radical positions do not necessarily foreclose traditional financial sources.

So in the case of Ecuador, we can say there was a unilateral sovereign act suspending repayment and repurchasing debt without negotiation, combined with a debt audit that was most beneficial for the population.

What about Iceland after the banking system collapsed in 2008?

In the case of Iceland, there was no restructuring either. What happened? Iceland's private banking system collapsed in October 2008, because of its fraudulent financial ventures. On paper the value of Icelandic banks amounted to over ten times Iceland's annual production of wealth! Banks had grown out of all proportion, as in Ireland or indeed Belgium at the same time. After the banking system's collapse, Iceland's government defaulted on what was owed to those private banking institutions and refused to pay the €3.5 billion that the governments of the UK and the Netherlands demanded to offset compensation they had paid out to their nationals who had money in those banks. It must be emphasized that this measure was taken under popular pressure: social mobilisation was very powerful and succeeded in countering the intentions of the country's government on several occasions. Two referendums were organised, also due to popular pressure. In the first one, over 90% voted against compensating the UK and the Netherlands. [17] Negotiations resulted in a new compensation plan, which was again turned down by about two thirds of voters in a second referendum. This refusal to compensate was combined with another strong measure

taken by the government, namely a strict control on capital flows. [18] Indeed, as a response to a situation of crisis in which the country was threatened with massive capital evasion by national and foreign large corporations, Iceland's government prohibited capital transfer. It is noteworthy that the IMF in this case turned away from its usual position and even supported these measures!

These various measures were beneficial for Iceland, whose economy recovered much quicker than in European countries that took another approach, such as Ireland or Greece that bailed out their private banking sector, accepted loans from the Troika as well as a restructuring of their debts, and paid their creditors.

It is interesting to add that in the case of Iceland in January 2013, the Court of Justice of the European Free Trade Association States (more commonly known as the EFTA Court), which also includes Liechtenstein, Norway and Iceland, dismissed the UK and the Netherlands' request that Iceland be ordered to pay the compensation they demanded. The Court of Justice considered that there was no element that could compel a government to take over the duties of private institutions. This conclusion is worth bearing in mind as it could provide jurisprudence to settle other disputes. [19]

In the case of Iceland, there was no debt restructuring either but, again, a unilateral sovereign decision not to pay the compensation demanded by two much stronger economic powers.

In 2012, the Troika did a restructuring of the Greek debt: what went wrong?

The context was as follows: from early 2010 Greece was subjected to speculative attacks by the financial markets that demanded excessively high interest rates for roll-over loans. Greece was close to defaulting because it could not refinance its debt at reasonable rates. The Troika interfered with a structural adjustment Memorandum'. It would grant new loans for Greece to repay its creditors, i.e. essentially European private banks. [20] Those new loans were accompanied by austerity measures that had a brutal, even disastrous, impact on the people's living conditions and on economic activity.

In 2012 the Troika restructured the Greek debt owed to private creditors only, namely the private banks, of EU member states, that had already largely withdrawn though they still held some Greek debts, and other private creditors such as Greek worker's pension funds. This restructuring involved cutting Greek debts to private creditors by 50 to 60%. The Troika, which has been lending money to Greece since 2010, restructured the Greek debt itself but refused to reduce the amount to be paid. The operation was presented as a success by mainstream media, Western governments, the Greek government as well as the IMF and the European Commission. They attempted to fool international public opinion and the Greek population into believing that private creditors had gone to considerable lengths to ease Greece's dramatic situation. Actually the operation was not at all beneficial for the country in general, and even less for its population. After a temporary slackening in 2012 and early 2013, the Greek debt has been steadily rising again and is now beyond the highest point attained in 2010-2011. The conditions enforced by the Troika have resulted in a dramatic fall in the country's economic activity: the GDP went down by over 25% between 2010 and early 2014. The living conditions of the population have dramatically deteriorated: violation of economic and social rights and of collective rights, regression of the retirement system, sharp reduction of public health and public education services, massive layoffs, drop in purchasing power. Moreover, one of the conditions for any debt relief was a change in the applicable law and the relevant jurisdiction in case of dispute with creditors. All in all this debt restructuring goes against the interest of the Greek population and of Greece as a country.

How does this restructuring of the Greek debt compare with the Brady Plan that was implemented in countries of the South as a consequence of the 1982 debt crisis?

The Brady Plan [21] was implemented in some twenty indebted countries towards the end of the 1980s. It was a way of restructuring debts through an exchange with US-guaranteed securities on condition that creditor banks reduce the amount of what is owed to them and that they use the money in the economy. In some cases the debt was reduced by 30%, and the Brady bonds guaranteed a fixed interest rate of about 6%, which is most favourable for bankers. The problem was thus solved for the banks and merely postponed for indebted countries.

We find the same components in the debt restructuring imposed on Greece, Ireland, Portugal and Cyprus as in the Brady Plan.

1Â°: In the Brady Plan, just as in the Memoranda imposed on the countries on the 'periphery' of the EU, governments of the major powers and international institutions step in instead of private banks as main creditors. All those plans thus aim to make it possible for private banks to withdraw as main creditors of the countries concerned without significant loss since they are replaced by governments and multilateral institutions such as the IMF. This was what happened with the Brady Plan. In Europe, the European Commission, the European Stability Mechanism [ESM], the ECB and the IMF have gradually replaced private banks and private financial institutions as creditors.

2Â°: All those operations are obviously accompanied by conditionalities that enforce the implementation of austerity measures and neoliberal policies.

3Â°: The other common point lies in the ultimate failure of such restructuring for indebted countries. Even neoliberal economists such as Kenneth Rogoff and Carmen Reinhart [22] acknowledge that the Brady plan was not beneficial for the countries concerned: debt reduction was much more limited than had been announced and in the long term the amount of debt actually increased and the amounts paid are very high. We can now say the same about Greece, Cyprus, Portugal and Ireland.

If restructuring the debt is not a solution, what should be done to help those countries solve the debt issue?

Those countries ought to unilaterally: 1) set up an integral debt audit – with citizens' active participation; 2) suspend debt repayment; 3) refuse to pay the illegal or illegitimate part of it; and 4) demand a reduction of the remainder. The reduction of what is left after cancellation of the illegitimate and/or illegal part can be seen as a form of restructuring but it cannot be isolated as a sufficient response.

What happens if a government starts negotiating with creditors without suspending repayment?

If there is no suspension of repayment or public auditing, creditors are in a dominant position. We mustn't underestimate their manipulative skills that can lead governments to unacceptable compromises. Suspending debt repayment as a unilateral sovereign decision creates a new power relationship with creditors. Besides, with a suspension, creditors have to crawl out of the woodwork. Indeed if you deal with securities holders without suspension of payments they remain anonymous since securities are not nominal. Only if they topple this power relationship can governments create the necessary conditions for them to enforce measures that legitimize their action in domestic and international law. In the cases of Greece, Portugal, Ireland and Cyprus the troika is the major creditor and would be obliged to go to the negotiation table.

In this case could governments initiate negotiations to show public opinion that creditors have an unacceptable position and that they have no choice but to turn to unilateral actions?

Yes, but such an approach has its pitfalls. Creditors may create confusion in the people's minds claiming that the

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governments are unyielding and delay negotiations. Whereas the countries need urgent solutions and cannot afford to use their tax revenues to repay their debts.

The adequate moment to suspend debt repayment must be defined according to each country's specific conditions: the people's degree of consciousness, urgency, creditors' blackmail, the general economic situation of the country... In some circumstances auditing can occur before; in others, the two must occur simultaneously.

Translated by CADTM

<http://cadtm.org/Restructuration-Au...>

[1] The IMF has produced a large quantity of memoranda, working papers and propositions concerning debt restructuring. See the IMF website: <https://www.imf.org/external/np/exr/facts/fre/sdrmf.htm> IMF working paper WP/12/203, August 2012 Debt Restructurings 1950–2010: Literature Survey, Data, and Stylized Facts Particularly: U.Das, M.Papaioannou and C.Trebesch

[2] Re-echeloning" must be differentiated from; "restructuring" which is a debt reduction including a written-off amount. This limited definition is not the one that is used here.

[3] A typical restructuring was done to prepare the Democratic Republic of the Congo, in 2002, for the HIPC initiative. The financial situation was regularised and the conditions created that allowed repayments to be made. After 32 years of the Mobutu dictatorship (1965-1997) DRC had accumulated important arrears. The debt the Mobutu regime left behind, after it fell, should have been wiped clean, it was an odious debt. The creditors that had financed Mobutu for so long agreed to restructuring. In the first phase, four countries (Belgium, France, South Africa and Sweden) advanced loans that allowed the Congo to repay its old outstanding arrears to the IMF. This was a consolidating arrangement that replaced the old debts with new ones at the "concessional" interest rate of 0.5%. Then the IMF loaned the \$522 million to the Congolese government so that it could payback the four countries. At the same time the World Bank loaned \$330 million to the Congo so that the Congo could repay arrears owed to the World Bank. In the second phase the debt of the Congo due to the fourteen Paris club countries was restructured: a part of the debt was written-off and the remainder spread over a longer period. In the end the two phases together added up to a 60% restructuring of the Congolese debt. This restructuring was announced as a success but the end result was an exchange of old unpayable debts for new, more modest, debts that were payable, repayments were resumed. Instead of being wiped out, the congolese debt was consolidated. It was reborn in a new structure that is not called "odious". See: Éric Toussaint, Arnaud Zacharie, "La République démocratique du Congo", 2002, <http://cadtm.org/La-Republique-democratique-du> ; Arnaud Zacharie, "La restructuration de la dette congolaise", 2002, <http://cadtm.org/La-restructuration-de-la-dette>.

[4] This was the case of the Greek debt restructuring of 2012 (see below) and of hundreds of others managed by the IMF and/or the Paris Club.

[5] See Éric Toussaint: <http://cadtm.org/The-cancellation-of-German-debt-in> August 2014

[6] In all, 21 creditor countries. See <http://www.monde-diplomatique.fr/2013/02/TSIPRAS/48724> (French)

[7] West Germany, before the 1990 reunification and after, the reunified Germany, were hardly obliged to pay war damages and debts (after WWII) in proportion to the human and economic ill that was done. Most of the little that was paid went to Israel because of the persecution of the Jews. In March 2014, The Greek government claimed compensation for war damages caused by the Third Reich in Greece during WWII. Of course, the German government refused. See Le Monde, "La Grèce exige des réparations de guerre de l'Allemagne", 6 March 2014, http://www.lemonde.fr/europeennes-2014/article/2014/03/06/la-grece-exige-des-reparations-de-guerre-de-l-allemande_4378951_4350146.html

[8] This is permitted by France to developing countries in the "C2D" framework. Le Contrat de Désendettement et de Développement (debt and development contract) is a particular kind of restructuring through which France operates a grant restructuring system. In the case of the Cameroon contract, for example, France directly returns the amounts of repaid debt to the poor debtor country to finance, so called, development programmes, so pretending to assist the development of the country. The truth is quite different: on the one hand the French Development Agency

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(AFD) decides the use that is made of the resource, so, the choices are in the clear interest of the ex-colonial power. Also, the AFD watches the ongoing projects and can veto decisions taken by the Cameroon government by emitting a "no objection memorandum". In this way France maintains a flagrant economic and political domination over Cameroon's national sovereignty. See: Owen Chartier, Jean-Marc Bikoko, "Pourquoi faut-il réaliser un audit citoyen de la dette du Cameroun?", August 2014, <http://cadtm.org/Pourquoi-faut-il-realiser-un-audit> (French)

[9] In *The Economic Consequences of the Peace* (1919) John Maynard Keynes denounced the conditions that were imposed on Germany at the end of WWI; he had previously resigned from the British negotiation delegation in protest. Later, in 1920, there was a major debate between him and another economist, Bertil Ohlin, about the economic consequences of the war compensations demanded by the Allies from Germany. Keynes claimed that in order to pay the demanded amount Germany would have to export more and import less, which would inevitably lead a deterioration of its trade balance and add to the burden of the debt. Ohlin replied that paying compensation would result in a boost in demand in other countries, which would turn at least partly toward German products. This would limit the deterioration of Germany's trade balance. Ohlin argued for supporting this mechanism through an international trade agreement allowing Germany to raise its tariffs while lowering them in receiving countries. The result would have been a German trade surplus. (See <https://perso.univ-rennes1.fr/denis.delgay-troise/CI/Cours/REI223.pdf> (French))

[10] See Éric Toussaint, "Why the Marshall Plan?", August 2014, <http://cadtm.org/Why-the-Marshall-Plan>

[11] Concerning Iraq see: Éric Toussaint, "« Irak : la dette odieuse »", in *La finance contre les peuples*, pp. 435-451, éditions Syllepse/CETIM/CADTM, 2004. updated version 2006 : "« La dette odieuse de l'Irak »", May 2006, <http://cadtm.org/La-dette-odieuse-de-l-Irak> (All sources in French)

[12] Debt relief came in stages: the first, in the HIPC framework in 1998 and in 2001 ; in 2005, The final debt relief was in the Multilateral Debt Relief Initiative (MDRI) framework, the extension of the HIPC for the most docile countries (see Frédéric Lévêque, "La dette de la Bolivie", June 2006, <http://cadtm.org/La-dette-de-la-Bolivie#nh6>)

[13] This renouncement of sovereignty started with the military dictatorship from 1976.

[14] About Argentina and Vulture funds, see: Renaud Vivien, "Un vautour peut en cacher d'autres", carte blanche, *Le Soir*, 23 June 2014 ; Jérôme Duval, Fatima Fafatale, "The vulture funds that corner Argentina also comes for you", July 2014, <http://cadtm.org/The-vulture-funds-that-corner> ; Éric Toussaint, "How to resist vulture funds and financial imperialism?", September 2014, <http://cadtm.org/How-to-resist-vulture-funds-and> ; Julia Goldenberg, Éric Toussaint, "Vulture funds are the vanguard", October 2014, <http://cadtm.org/Vulture-funds-are-the-vanguard>

[15] On Ecuador, see Éric Toussaint, "« Les leçons de l'Équateur pour l'annulation de la dette illégitime »", 29 May 2013, <http://cadtm.org/Les-lecons-de-l-Equateur-pour-l> (in French only), also U. Das, M. Papaioannou and C. Trebesch, *Sovereign Debt Restructurings 1950–2010: Literature Survey, Data, and Stylized Facts*, FMI working paper WP/12/203 <http://www.imf.org/external/pubs/ft/wp/2012/wp12203.pdf> p. 25 et 78. See press release in French "Islande : le CADTM salue le Non massif au référendum sur la loi Icesave", 8 March 2010, <http://cadtm.org/Islande-le-CADTM-salue-le-Non>

[16] The bonos Global are the result of restructuring of Ecuador's external commercial debt that had occurred in 2000 in the context of a bailout operation after the 1999 financial crisis. Brady bonds were exchanged for new bonds (bonos Global A et B) at conditions that were most advantageous for creditors (notably at high interest rates of 10 to 12%). Brady bonds themselves had been the result of a 1995 exchange of bank debts that had become impossible to pay with a new debt in the form of bonds guaranteed by the US Treasury (on the Brady Plan see the answer to another later question). Those two successive restructuring moves had been presented as successful by both creditors and government. In fact they were marred by irregularities and illegal acts that the audit commission (CAIC) could identify. See pp. 46-47 of the Final Report http://cadtm.org/IMG/pdf/Informe_Deuda_Externa.pdf

[17] See : CADTM, "Islande : le CADTM salue le Non massif au référendum sur la loi Icesave (Iceland! The CADTM welcomes the massive non in Iceland's "Icesave" referendum)", Press release 8 March 2010, <http://cadtm.org/Islande-le-CADTM-salue-le-Non> (French)

[18] The IMF has also condoned the strict capital movement controls introduced in Cyprus in March 2013. If one EU country can do this, why not the others?

[19] See press release "EFTA court dismisses 'Icesave' claims against Iceland and its people" 28 January 2013,
<http://cadtm.org/EFTA-court-dismisses-Icesave>

[20] French, German, Italian and Belgian banks mainly.

[21] The plan was named after Nicholas Brady who was the US Treasury Secretary. between 1988 and 1993,
<http://www.treasury.gov/about/history/pages/nfbrady.aspx>

[22] Kenneth Rogoff was chief economist with the IMF and Carmen Reinhart, university professor, is advisor with the IMF and the World Bank.