
Latin American leaders demand continent's debt be forgiven

By: RHC
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Ecuador's former President Rafael Correa, Bolivia's former Vice-President Alvaro Garcia Linera, Colombia's former presidential candidate Gustavo Petro, and other progressive intellectuals Friday called on the international community to make multilateral financial institutions and other private creditors sensitive to the ongoing economic situation and forgive the Latin American countries' sovereign external debt.

Their text, published by the Latin American Strategic Center for Geopolitics (Celag), reads as follows:

Now that the world has assumed a more humane and cooperative tone in the economic sphere in the face of the Covid-19 pandemic, we request the cancellation of the sovereign external debt of the Latin American countries from the IMF and other multilateral organizations (IDB, WB, CAF).

We urge international private creditors to accept an immediate debt restructuring process that contemplates an absolute, no interest charge, two-year default.

The United Nations Conference on Trade and Development (Unctad) forecasts a loss of global revenue of US\$2 billion as a consequence of this crisis. And the International Labor Organization (ILO) estimates that 25 million jobs worldwide are at risk.

Capitals continue to flow from emerging economies: this leak reached a record value: US\$60 billion in less than two months (International Institute of Finance). In the face of so many difficulties, the cancellation of the external debt is an action as just as necessary.

As in other historical moments marked by great natural catastrophes, such as wars or diseases and pandemics, this is a unique opportunity to prevent the debt burden from becoming an even greater stumbling block that hampers the complex challenge of overcoming this critical social and economic moment.

One of the best-known examples happened in Germany after this country was devastated in World War II. At the 1953 London Conference, it was agreed to forgive substantial amounts of German debt. In contemporary history, it was not the only time that happened. There are countless cases in which external debts were forgiven. No one can doubt that now is the right time to do it if you want to successfully face this difficult situation.

We cannot require countries to make effective public health policies to deal with the current pandemic and, at the same time, expect them to continue meeting their debt obligations. We cannot require countries to implement economic policies that compensate for this catastrophe's damages while they must continue paying their creditors.

In the near future, carrying out an economic restructuring plan will not be compatible with current external debt levels, which on average represent 43.2 percent of GDP in Latin America.

As was done with the "Basic Principles of Sovereign Debt Restructuring Processes" resolution, which was approved on Sep. 10, 2015, we must now take a new step.

Therefore, we request the United Nations to most urgently call the General Assembly to discuss a resolution that provides the international legal framework to carry out this effective strategy for the cancellation of Latin America's external debt and to promote the restructuring process (with a two-year delay) with private creditors.

We also urge other international organizations to join this initiative in requesting debt forgiveness. We invite other think tanks, universities, religious institutions, unions, employers and governments to join this request.

It is not only a question of solidarity but also of efficiency.
