

Debt, Vulture and Fund

Charity is Business. And it is a good business. Western Charity always has an ulterior motive. It is always charity for the benefit of donors, not charity for the benefit of the recipient. It is nowhere so terrible as in rescheduling sovereign debt of Highly Indebted Poor Countries (HIPC), under the aegis of IMF and World Bank. Creditors have since 1996 been encouraged to cancel a portion of the debt that is technically owed to them—amounting sometimes to almost the whole debt—with a view to equitable sharing of the loss among themselves. But the catch lies elsewhere. If the poor are simply left to starve, revolution on their part is inevitable leaving the global players with nothing and threatening their stranglehold. After all maoism is a new menace they can ill-afford to flourish in the era of free flow of capital. If poor countries are sufficiently relieved of their debt burden to be able to continue economic activity at a reasonable level and maintain their aggrieved people in a state of relative passivity, creditors, mainly America and America-backed institutions in the West will benefit in the long run in terms of money and political stability which is so essential to spin money.

But the HIPC scheme doesn't cover all debtor countries, even many which are in serious difficulties, or all creditor countries. This is where the vulture funds step in. The notorious 'funds' buy up the debts of countries who default and cannot repay—at a fraction of the amount owed—and then proceed to bring action against those countries to enforce payment of as much as possible. The 'vultures' much to the fury of creditors who have agreed to accept losses, by their aggressive pursuit of debt enforcement scoop up a far higher dividend than creditors generally can expect.

The plight of the impoverished poor countries—countries such as Zambia, Niger, Mali, Peru etc—has a close parallel with the agony the poor peasants face all over the world. Rural users are replaced by companies—and it is the only difference. With interest payments constantly accumulating, poor peasants in third world countries find it next to impossible, however hard they work, ever to pay off the debt. They are in perpetual debt bondage, falling further and further behind with every passing year. The logical culmination—they are forced off the land to live as paupers in the city slums, or they commit suicide or die before their time of malnutrition-related diseases.

While creditors do lose out as a result of this process, relief of debtors in this mechanism does reduce the possibility of violent outbursts and bring a kind of stability to market economy.

But vulture companies are so ruthless in executing their unlawful activities that creditor countries are planning to pass legislation to tame the vultures. Zambia is a classic example of how it suffers because of vulture activity. 'In 1979 Zambia was lent \$15m by Romania to purchase tractors. Twenty years on, Zambia was one of many countries caught in *debt trap*—unable to repay the rapidly expanding interest on its debt, never mind the underlying stock. It became eligible for debt relief. At the last moment Donegal International

purchased Romania's debt for \$3.3m and ultimately sued for \$55m. The UK judge highlighted the dishonesty used by the company in their dealings with Zambia, but ruled that they had a case in law and granted them \$15.5 m. Zambia effectively handed over money which had been provided by other creditors foregoing payment'.

The Democratic Republic of Congo is being forced to pay \$ 20,000 a week to FG Hemisphere, a New York-based vulture fund which has acquired a debt incurred with Tito's Yugoslavia in the 1980s. These penalties will, on the judgement of a court in Washington, rise to \$80,000 a week unless DRC complies with a demand to provide detailed information about all its assets all over the world—so that the creditor in question can sequester them! With interest and penalties, the original debt has now skyrocketed to \$100m. Right now Ethiopia, Cameroon, Argentina, DRC and many other poor nations face vulture action. Then conditionalities imposed by the IMF and World Bank to debt relief and new loan sanctions, negate the very purpose of debt cancellation. It doesn't require much elaboration how IMF-World bank policy conditions jeopardise a dependent country's economy. Also, it is a known fact that IMF-World Bank requirements—reforms and restructuring of economy—hurt the poorest and most vulnerable people. For one thing the debt relief programme for HIPC, rather debt relief business, has been initiated by the IMF-World Bank combine. Rescheduling of sovereign debt is now fairly routine. Unless the poor summon courage to say 'No', their agony will continue unabated, rescheduling or no rescheduling. □□□