

[Europe should back debt crisis principles at the UN Letters, \*The Guardian\*, 7 September 2015](#)



HQ of the economy ministry in Buenos Aires.

On 10 September, the United Nations general assembly will vote on [nine principles concerning the restructuring of sovereign debts](#). Abiding by such principles would have avoided the pitfalls of the Greek crisis, in which political representatives gave in to creditor demands despite their lack of economic sense and their disastrous social impact. This public interest resolution must be supported by all European states and brought into the public debate.

The Greek crisis has made clear that individual states acting alone cannot negotiate reasonable conditions for the restructuring of their debt within the current political framework, even though these debts are often unsustainable over the long term. Throughout its negotiations with creditor institutions, Greece faced a stubborn refusal to consider any debt restructuring, even though this refusal stood in contradiction to the IMF's own recommendations.

At the UN in New York exactly one year ago, Argentina, with the support of the 134 countries of the G77, proposed creating a committee aimed at establishing an international legal framework for the restructuring of sovereign debts. This committee, backed up by experts of the Unctad, is submitting the nine principles that should be respected when restructuring sovereign debt: sovereignty, good faith, transparency, impartiality, equitable treatment, sovereign immunity, legitimacy, sustainability and majority restructuring.

In recent decades, a debt market has emerged that states are constrained to submit to. Argentina, standing at the forefront of these efforts, has been fending off "vulture funds" ever since it restructured its debt. These funds recently succeeded in freezing Argentina's assets in the US through the intervention of the American courts. Yesterday Argentina, today Greece, and tomorrow perhaps France as well: any indebted country can be blocked from restructuring its debt in spite of all common sense. Establishing a legal framework for debt restructuring, allowing each state to solve its debt problems without risking financial collapse or the loss of its sovereignty, is a matter of great urgency in promoting financial stability.

These nine principles reaffirm the pre-eminence of political power in handling economic policy. They limit the depoliticisation of the financial system, which until now has not left any alternative to austerity and instead has held states hostages to creditor demands. The UN vote provides a stark choice between the democratic handling of sovereign debt matters and the continuing rule by debt markets.

A similar initiative failed in 2003 at the IMF. Today, while the position of European countries remains unclear, their support is fundamental for this resolution to be put into practice. Thus far they have kept away from the process and did not express support for the creation of the committee. The Greek drama that unfolded over the summer makes clear that there is no time left to dither. This summer's sham negotiations have caused many Europeans to retreat into nationalism and express defiance towards international institutions. However, Europeans must reaffirm that democratic rights, rather than the dictates of the market, are at the heart of international governance. We therefore call all European states to vote in favour of this resolution.

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