

Colombo Declaration - Our fight against illegitimate debt

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We, the participants of the 9th CADTM South Asia meeting from Bangladesh, India, Nepal, Pakistan, Sri Lanka, as well as from Morocco, Belgium, Spain and France, assembled in Colombo, Sri Lanka, from December 2-4, 2022, reaffirm our fight against illegitimate debt.

1. We stand in solidarity with the Sri Lankan people, struggling against austerity measures. The people have borne the brunt of problems created by the elite and are going through a situation that can be compared to a humanitarian disaster. Instead of listening to their concerns and establishing channels of dialogue for a sustainable solution to the current crisis, the authorities have resorted to severe repression, often labelling protestors as “terrorists.” We demand the decriminalisation of people’s movements and all those who have been arrested, detained, or charged with criminal activities.

2. We demand that the Sri Lankan government unilaterally keep on with the suspension of debt payments, not because it has no resources to do so but because it should proclaim that this suspension is politically, economically, and principally necessary to deal with the external shocks that required the country to protect its citizens first. The government must use arguments under international law to avoid paying interest on arrears. This suspension of debt payments must be combined with an audit of the debts claimed from Sri Lanka. Also, the policies pursued by the Sri Lankan ruling class must be brought under scrutiny. A citizens’ debt audit must be undertaken to identify illegitimate debts and the responsibilities of the executive and the bureaucracy in the accrual of illegitimate and unsustainable debt. On the basis of the audit of the debt, linked to a suspension of payments, a policy of repudiation of the debt should be pursued.

3. We oppose seeking a bailout agreement with the IMF as a way out of the crisis. We are aware that the policies funded by the IMF have worsened Sri Lanka’s food and energy dependency and insecurity; exacerbated the ecological and climate crises; greatly increased inequality; and reinforced the trend towards an authoritarian regime. The government wants the IMF loan to resume debt payments to the bondholders and negotiate for a reduction of 10 to 20 percent. This will certainly strengthen the bondholders. We feel that it can be reduced by 80 percent if Sri Lanka avoids the IMF route and continues the suspension of debt payments. In this case, it would be in a strong position to demand a buyback of bonds at an 80% discount.

4. We feel that the alternative lies in imposing an additional special tax of 20% on the income of the richest 1%, a special tax of 20% on their wealth, a capital control, strongly punishing any fiscal evasion and financial fraud, reducing VAT on basic goods and services, delinking with the IMF, and increasing social expenses.

5. We urge the governments of Bangladesh, Nepal, India, and Pakistan, as well as other governments around the world, to learn from the Sri Lankan debt crisis and ensure a citizens’ debt

audit followed by a unilateral repudiation of the illegitimate debt. The policies being pursued by all South Asian governments are suicidal and will provoke a similar crisis, sooner or later.

6. We also resolve that we will continue our fight against the capitalist system that creates such debt crises and exacerbates and sustains inequalities around the region and the planet. The capitalist system perpetuates and strengthens all social oppressions, including patriarchy, racism, casteism, ultra-nationalism, religious fundamentalism, and others. This system uses debt not only as a tool for economic subjugation but also for political domination. In fact, capitalism and the oppressive debt system are intertwined.

7. At the same time, private indebtedness has developed as the states, crawling under public debt and implementing their neoliberal agenda, have abandoned the funding of social services and their obligation to make sure that the basic needs of the people are met. We reiterate our call for the cancellation of all forms of illegitimate debt, public and private, including microcredit debt, peasant debt, student debt, household mortgage debt, and others.

8. Microcredit, which was and continues to be promoted as a means of lifting people out of poverty, has had disastrous consequences for poor populations in the Global South. With its abusive and predatory interest rates and terms, it trapped these vulnerable people in debt, forcing them to take out multiple loans to pay off the previous ones and make huge sacrifices to repay them over years and decades. We are aware that women are by far the primary victims of microcredit, and we express our solidarity with their struggles against microcredit in Sri Lanka, as well as in Bangladesh, Pakistan, Nepal, India and all other parts of the world.

9. We will fight all predatory lending, investment, and trade agreements that trap ordinary people in a vicious circle of austerity, unemployment, and poverty, whether they come from international financial institutions, global north powers, or emerging powers like China and India, whose policies have significant negative consequences in South Asia.

10. We demand an end to all sorts of illegitimate lending by governments, international financial institutions, multilateral development banks, and others that destroys lives, devastates livelihoods, and ruins nature. We reiterate our opposition to the funding of dirty energy, including fossil fuels.

11. We demand an end to all forms of privatization and an end to all public-private partnerships.

12. We believe that public debt is not bad in itself. Governments can contract loans to finance the ecological transition, to replace fossil energies with renewable energies that respect the environment, to finance land reform, to drastically reduce road and air transport and replace them with collective transport, to finance the creation of decent jobs for all, to guarantee decent public services for all, and to guarantee the respect of everyone's fundamental human rights. Public borrowing can thus be legitimate if it is used to finance legitimate projects and if those who contribute act in a legitimate way.

13. We demand transparency and accountability for all projects financed by overseas lenders and IFIs in South Asia. All such projects should be brought under democratic oversight. The respective parliaments of the countries must ratify the agreements before they are implemented.

14. We strive for alternative possibilities like subsidies and grants, zero interest loans without discrimination, socially and collectively managed community projects, etc. We call for the renewed development of free, high quality, public services and increases in the funds available for social spending.

15. Let us unite in our struggles against the illegitimate debt system, free trade agreements that

humiliate and exploit the people, plunder and destroy the environment, and push whole populations into penury and destitution.

16. We extend our solidarity to all labouring masses caught in the infernal webs of illegitimate debts. We resolve to continue our struggle as long as human beings labour under the burden of the debt system and the financial and microcredit institutions.

4 December

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P.S.

- CADTM 6 December:
<https://www.cadtm.org/Colombo-Declaration>