

A Debtor Countries Club?

The Cartagena Consensus reloaded

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Abstract

This article addresses both the need for and the complexities involved in the organization of a club of debtor countries in Latin America and the Caribbean. It begins by explaining that sovereign debt crises are originated and managed in an asymmetric international scenario, which helps understand the scant progress that has been made in terms of coordination among debtor countries. This is followed by a description of the collective action problems that a possible coordination of sovereign debtors would entail, and then a description of the historical experiences of coordinated debtor countries -and possible lessons to be learned-, focusing on the efforts made with the so-called Cartagena Consensus. Some coordination efforts made in Africa are also presented. The article describes the current debt situation in the region and postulates that higher levels of coordination among debtor States would be conducive to facilitating the conditions for their development. Finally, it explains why concerted debtor States' efforts to negotiate with their creditors would challenge neo-liberal paradigms, based on a remarkable asymmetry between sovereigns deeply indebted and going through financial turbulences, and their creditors; as well as on an absolutist view of the principle *pacta sunt servanda* ("agreements must be kept") in financial affairs.

1. Introduction

Why is it that while creditors negotiate in a concerted manner with borrower States, the latter do not similarly form debtor clubs? What are the collective action problems faced by debtor States? Have there been any experiences -albeit unsuccessful- in Latin America and the Caribbean (hereinafter, LAC) and in the world involving efforts to form articulated networks of sovereign debtors in order to negotiate their debts in a coordinated manner? What lessons can be learned from historical experiences, especially from the Cartagena Consensus, that can be useful in devising strategies for concerted action among debtor States in the region in the current financial and political context that be able to challenge neo-liberal paradigms? These are the questions that this articles proposes to address.

The opportunity to reinstate the debates on initiatives for concerted action by debtor States in the LAC in order to negotiate in an articulated manner with creditors is given by the current circumstances themselves. From 2008 onwards, public debt grew at the international level, at the mercy of the monetary expansion policies of the central countries: at the time of the outbreak of the pandemic crisis,

public debt was already at record levels (Cantamutto and Castiglioni, 2021). In turn, debt in the region has grown systematically over the last decade, reaching a peak during the pandemic and showing no signs of a significant reduction since then. If this trend applies, in general, to peripheral countries, it is especially problematic in LAC which, in the decade ending in 2023, will have grown less than in the so-called “lost decade” of the 1980s (ECLAC, 2023a). LAC is the region with the second highest levels of debt, behind the so-called emerging Asian countries (ECLAC, 2023a).

Debt functions, in fact, as a mechanism that sustains and consolidates the subordination of debtor countries, and is determined by the positions and interests of creditor countries' economies. Debt allows placing surplus capital in very profitable placements, since the interest charges the debtors for the perceived risk, which is evident from the fact that risk premiums are not returned to the debtors even when they have proved to be excellent payers (Pahnecke and Bohoslavsky, 2021). In trying to meet debt payments, debtor countries often jeopardize their ability to meet other social investment obligations (in education, health, housing, etc.). New loans to meet previous debts are often granted against the implementation of neo-liberal reforms.

Another feature of neoliberal finance is the absolutist view of the principle *pacta sunt servanda* (“agreements must be kept”), where even when repaying debts entails eroding fiscal space to the point that gross violations of economic and social rights take place in the given country, debt can still be regarded as “sustainable,” which is translated into a fierce reluctance of creditor to grant debt relief to distressed countries.

Public debt is a historical problem, linking the peripheral countries - or those of the global South - asymmetrically with the central countries - of the global North (Wade, 2020). It is an asymmetric international scenario (Guzmán, Colodenco and Wiendenbrug, 2024), a system (Toussaint, 2018) in which there is no comprehensive resolution mechanism in case of public debt payment difficulties. Guiding principles on human rights-respectful restructurings have been proposed and approved within

creditors' demands, it may be threatened with sanctions; if debtors who refuse to comply are many, such sanctions become less credible. However, the politico-financial history of sovereign debtors indicates, strikingly, that coordination practices among sovereign debtors have been very scarce¹.

Following this introductory section, Section 2 describes the collective action problems involved in the coordination of sovereign debtors. Section 3 presents historical experiences in this regard, focusing on efforts in Latin America, especially with the Cartagena Consensus, and some more limited initiatives in Africa. Section 4 postulates how greater levels of coordination among countries would be conducive to facilitating the conditions for their development, explaining the challenges and opportunities that exist today for collective action by debtor countries in LAC. Section 5 contains a recapitulation of the discussions raised in this article.

2. Collective action problems in sovereign debtor concertation

Both theory and practice indicate that the collective action problems faced by debtor clubs are remarkable: a) debtors often have disparate economic and political situations and ties with creditors; b) internal disputes and interests may inhibit the “real” interest in joining a debtor club and; c) given the power of creditors, the threat of sanctions and the offer of concessions generate incentives for free-riding debtor States (Rama Iglesias and Schultz, 2015). In general, debtor countries face a prisoner’s dilemma in relation to coordination with other debtors, whereby the common solution -which would be optimal, but would result only from collective action- is displaced by the possibility of having partial concessions -suboptimal, but within the reach of each country separately- (O'Donnell, 1987). This leads to the expectation that a debtor country will act as the daring (and potential loser, or sucker), betting on making a profit in a sort of “game of chicken” with creditors. In this gamble, of course, individual debtors bear the odds against them, even if the debtor has a high relative weight (O'Donnell, 1987).

If a country tries to initiate a coordinated negotiation process with other debtors on its own, the other debtor countries will be tempted to abandon the effort in view of the prospect of obtaining partial concessions (side payments) from the creditors (free riders). Thus, the reputational cost (expressed in higher refinancing costs, shorter terms, etc.) as well as the potential sanctions (interruption of access to international cooperation funds or development bank financing, loss of commercial markets, etc.) fall on the country that “plays the game”, the one that shows the most determination. The rest operate with a logic of “credit-rating-self-preservation”, avoiding association with “badly behaved” partners and thus being in a better comparative risk position (Cline, 1983; Tussie, 1988).

The main advantage of a joint approach to the problem for debtor countries is the possibility of obtaining better restructuring terms, such as lower interest rates, lower costs and charges, longer terms and grace periods, than those that could be obtained bilaterally. It could also be hoped that creditors will recognize common criteria for the definition of restructuring terms, for example, that debtor countries cannot be required to pay more than a certain proportion of their export revenues or allow payments to fluctuate according to the growth of the economy. To this end, the implicit threat of collective default that could be generated is recognized as the main instrument (CIA, 1986), although this could well be formulated explicitly. Even the exchange of legal and technical information between

¹ While the cooperative experiences of debtor States have been extremely limited, there have been community experiences (sometimes called “credit revolts”) of concerted action by mortgagors or microcredit borrowers who have demanded - and obtained - systemic and fair responses to creditor abuses, as has happened in Chile, Spain, Nicaragua, Morocco, India and Sri Lanka (Thornton and Mader, 2020), among other countries.

debtor countries could lead to a reduction in operating costs. If, in addition, a common framework could be achieved in which debtors would commit themselves to share differentiated achievements (possibly used by creditors themselves as de-mobilizing strategies for collective actions) through “*pari passu*” clauses, the discretionary power of creditors would probably be reduced².

Coordination among sovereign debtors can take place at various levels. It implies a certain degree of coordination of the financial and foreign relations policies of the respective countries, which may reach different levels (see Section 3). There is no guide that points to a gradation or path, although experience can serve as a guideline. What exists are attempts at organization, confluences, which have failed to culminate in a consolidated process.

In fact, concrete efforts of this type of coordination can be identified at present, even among LAC countries. For example, when the G-24 (comprising, among other countries, Argentina, Colombia, Peru, Brazil, India, South Africa and Mexico) expressed in 2021 its criticism of the IMF's surcharges policy (Argentine Government, 2021), or when Lula Da Silva, the current Brazilian president, in 2023 told the Argentine president that he “intended to talk through [his] finance minister with the IMF to take the knife out of Argentina's neck” (Página 12, 2023). From a longer historical perspective, this kind of coordination can be observed in the voting patterns in the political bodies of the United Nations regarding the resolutions involving world economic governance, such as the debates on the “New International Economic Order” in the 1970s³, and more specifically the issues related to foreign debt, where the countries of the global South tend to unify criteria to promote initiatives on this issue⁴. The same can be said of the negotiations between States on debt issues that precede every four years the renewal of the mandate of the United Nations Conference on Trade and Development (UNCTAD).

However, as regards formal organization and collective coordination among debtor States to benefit from the specific negotiation of the debt with creditors, through the creation of a cartel, club or *ad hoc* forum for the achievement of such objective, there are certainly very few cases. An incipient experience of these characteristics was the so-called Cartagena Consensus, a group of 11 LAC governments that met between 1984 and 1987 with the purpose of offering “definition and acceptance of general guidelines (...) to serve as a reference for the individual negotiations of each country” (paragraph I.10 of the Consensus). The creation of a “consultation and follow-up mechanism” (paragraph III.20 of the Consensus) for the member countries of the group, the exchange of technical information on debt and its effects, and the call for political dialogue with the industrialized countries (paragraph II.23) were also proposed, given that the origin of the debt overhang was seen in the policies implemented by the central countries (O'Connell, 1988: 380-5). Specific demands were made for “longer repayment periods, no increase in the cost of debt as a result of refinancing and the establishment of a link between debt service and export earnings” (Tussie, 1988: 69-70). Although the willingness to pay and negotiate on a case-by-case basis was never ceased to be emphasized, this incipient confluence was perceived as a threat by creditors.

² Although the interpretation of this clause has varied over time, it refers to equality of conditions and equitable treatment. In this case, it would indicate the impossibility of discriminating not only against creditors but also against debtor countries.

³ United Nations General Assembly Resolutions (1974), UN Docs. 3201 (S-VI) and 3202 (S-VI).

⁴ “Guiding Principles on Foreign Debt and Human Rights” adopted by the Human Rights Council in 2011 (UN Doc. A/HRC/20/23); “Basic Principles on Sovereign Debt Restructuring” adopted by the General Assembly in 2015 (UN Doc. A/69/L.84); and the “Guiding Principles on Human Rights Impact Assessment of Economic Reforms” adopted by the Human Rights Council in 2019 (UN Doc. A/HRC/40/57).

Although the lack of real commitment of the countries to this confluence, which lacked concrete enforceability mechanisms, as well as the definition of specific responsibilities to make the proposals effective, has been criticized (Crisorio, 2013; Osorio Paz, 1994), the very possibility of constituting a club worked. As presented in the following section, the path followed by the Cartagena Consensus implied a threat to US foreign policy and, despite not having materialized in a cartel (Tussie, 2013), it managed to influence the relationship with creditors. Recently declassified CIA documents (CIA, 1986), contain detailed analyses of this.

3. The historical experience of concertation in debtor countries

3.1. In Latin America

The constitution of clubs or cartels of debtor countries is a good idea even if it has never been fully realized. And there are some clues as to the rationality of this not happening. These include a) the diversity of national situations in terms of economic, political and creditor relations; b) the composition of their debts and the assessment of sustainability in each case; c) the internal socio-political interests of each country in relation to the debt problem; d) the threats of sanctions and parallel payments used by creditors; e) the cartelization of creditors; f) the certainty of certain risks versus the uncertainty of achievements and; g) the capacity to create a narrative that provides ethical and political support to debtors' demands. In other words, there are concrete incentives for the debtor countries not to choose the path of mutual agreement and to persist under a set of negotiating rules that does not benefit them.

In this regard, it should be noted that there has also been conflict and competition among creditor countries. This is not an automatic, harmonious or obvious confluence. After the Second World War, with the signing of the Bretton Woods agreements (1944), the US sought to ensure a financial coordination structure that would avoid competition between powers, thus securing for itself the position of *primus inter paris*. The creation of the IMF sought to guarantee this privileged place in the resolution of payment disputes. Other less formal structures also appeared over time (Ugarteche, 2013). In 1956, in view of Argentina's debt payment problems, and at the debtor's request for a meeting, the Paris Club was created, an informal arrangement between official creditors, which even today allows creditors to coordinate their actions. They act under principles that are denied to debtors (Cosio-Pascal, 2008): decision making by consensus among those involved, sharing information, going case by case but committing not to grant better treatment from another creditor (inside or outside the club). The proposals of the Cartagena Consensus were very similar to the Paris Club guidelines, albeit from the debtors' angle. In 1976 the London Club, which brings together private creditors, was created in response to Zaire's payment problems.

The debtor countries identified early on that the debt problem was not a strictly national issue. In September 1979, at the VI Conference of the governments of the Non-Aligned Movement, and in line with the calls for the constitution of a "New International Economic Order", the debt issue was linked to the need for countries to develop in an independent and peaceful manner (Martínez Carreras, 1980). It is important to emphasize this idea: the burden of debt prevents development, since it generates a growing divergence between debtors and creditors, feeding social and political instability, which threatens international peace and security. Fidel Castro made this reading in 1979, at the UN General Assembly, where he also associated it with the growing protectionism of industrialized countries, which prevented them from raising the resources to pay. In that speech, which represented what had been discussed by 96 countries the previous month during the VI conference, he called for debt relief for Third World countries, and the direct cancellation of the debt for very poor countries (Castro, 1979). Castro reiterated these demands at the next meeting (VII Conference) of the Non-Aligned Movement,

held in New Delhi in 1983: in the face of the debt crisis, the alternative was the “debt strike” (Tricontinental Institute for Social Research, 2023).

This background is significant because it points to a broad confluence of peripheral countries from different regions, which were experiencing similar problems and demanded common solutions. Although debt appears here as a key element in the characterization of the situation, it was not the axis of the political construction. In this sense, without ceasing to be a valuable antecedent, it does not strictly compose a coordination of debtor countries, but a coordination among peripheral (Third World, non-aligned) countries with diverse economic problems, among which debt stands out⁵. Apart from the call for relief or cancellation, as the case may be, no mechanisms of their own were proposed to advance in this direction -beyond political pressure-.

As a result of the increase in the benchmark interest rate in the United States at the end of 1979, the so-called Volcker Shock (after Federal Reserve Chairman Paul Volcker), the region’s debt rollover became more expensive at an accelerated pace. Capital flows, which had flooded the region during the previous decade (Estay Reyno, 1996), were reversed. In August 1982, the Mexican government announced the suspension of debt payments and received a swift aid package from the United States and the IMF. The following month Brazil announced the same, and in early 1983 Argentina joined in. The IMF’s view was that there was a liquidity problem, and the only way out was fiscal adjustment. The banks acted early on in a cartelized manner, under the logic of syndicated loans, whereby the largest entities acted as coordinators, working together with the IMF and the U.S. government (Val, 2017). The exposure of U.S. banks to Latin American default, however, was very high and widespread, and payment problems caused accounting forecasts that could lead to a stock market crisis of magnitude. This was of concern to US government authorities and prompted them to act on the situation.

In February 1983, the President of Ecuador, Osvaldo Hurtado, sent a letter to the authorities of ECLAC and the Latin American Economic System (SELA), asking them to prepare a report on the situation and alternatives, which they presented in May of that year. The letter came a month after the constitution of the Contadora Club, aimed at seeking peaceful solutions to the crisis in Central America. The search for coordinated solutions at the Latin American level linked the economic issue of the debt with the social and political situation, especially peace and democratic transition (Green, 1990).

The joint report (ECLAC-SELA, 1983) emphasized the external origin of the crisis, due to the recession and protectionism of developed countries, the increase in interest rates and the reversal of capital flows. In view of this, the case-by-case negotiations, guided by the IMF, had been slow and costly, focusing the adjustment on debtor countries. In view of this, they suggested having an automatic and voluntary refinancing facility based on objective indicators, which would simplify the renegotiation process, including special clauses in the rescheduling agreements that would make payments dependent on the debtor country’s economic conditions (a sort of premium tied to GDP growth). It was suggested that longer payment terms be contemplated, that the resources available for development and from the IMF be expanded (including the creation of a special line for countries affected by sudden rises in interest rates), making the theoretical conception that accompanies its loans more flexible “to better adapt them to the diverse socioeconomic goals of its increasingly heterogeneous member countries”. Finally, it recommended the creation of a Latin American center for information on external financing. The document was formally presented in Bogotá on May 18-20, 1983, at a meeting of

⁵ These experiences led to the creation of the Committee for the Abolition of Third World Debt (CADTM). See <http://www.cadtm.org/La-genealogia-del-CADTM-y-de-su>

experts convened by ECLAC (González Rubí, 1983), where the need for coordinated action was emphasized.

This analysis and its suggestions were taken up at the Latin American Economic Conference held in Quito on January 9-13, 1984. This conference, focused on the urgent problem of peace and the consolidation of the nascent democracies, drew up the Quito Declaration with a plan of action that emphasized the joint responsibility of debtors and creditors⁶. It pointed to the fall in international trade and terms of trade, the rise in interest rates and the reversal of capital flows as the origin of the crisis (points 8, 17, 18 and 20). In other words, it emphasized the external origin of the crisis, the co-responsibility of debtors and creditors and, therefore, the need for common criteria to overcome the crisis.

The basic criteria proposed therein were: i) that export revenues should not be committed beyond reasonable percentages, compatible with the maintenance of domestic growth; ii) that interest, commissions and margins for all items should be reduced, in order to stabilize over time the resources allocated to debt; iii) extension of terms and grace periods; iv) the need for access to new financial resources and; v) improved access of the region's products to the world market. To this end, it was proposed that "the Ministries of Finance, Economy or Treasury and the central banks of the countries of the region *establish effective, direct and confidential exchanges of information* on the conditions under which the refinancing and rescheduling of the external debt of those countries takes place. Likewise, (...) when requested by any country or countries of the region, the competent international organizations such as SELA, the Center for Latin American Monetary Studies (CEMLA), ECLAC, UNCTAD, and the United Nations Development Program (UNDP), as well as the governments of the countries of the region, should provide technical assistance" (emphasis added). In other words, they actively promoted the exchange of information, coordination and technical assistance among governments and through international organizations. In addition, they called for the need to increase the resources of the IMF and development banks, increasing the availability per quota and speeding up disbursements. Furthermore, it was suggested that the conditions demanded by the organizations in peripheral countries should be revised to be more in line with the objectives of growth and employment, but also with the policies of developed countries, in order to coordinate an equitable adjustment. In other words, a new coordinating role was assigned to international organizations. Finally, it was suggested that trade barriers should be reduced and trade integration promoted, both among Latin American countries and with the central countries.

In other words, it established a series of concrete recommendations. According to Rama Iglesias and Schulz (2015), although this meeting had no practical effects, it created an atmosphere of solidarity among Latin American countries. Tussie (1988) agrees on that point, emphasizing a key aspect: the declaration signed by presidents and ministers made it clear that the debt problem was political. Osorio Paz (1994) criticized the insistence on the thesis of co-responsibility that emerged there, since it enabled the demand that debtors continue to pay, while it had no real implication for demanding adequacy from creditors.

However, on the part of the creditors, there was no substantive change in demands or mechanisms. In March 1984 Argentina suspended an agreement signed by the dictatorship with the IMF, and indicated that it was looking for a solution more in line with the country's possibilities. This would have

⁶ Item 16 stated: "The attitude of the governments of Latin America and the Caribbean, in recognizing and assuming their obligations, demands from the governments of creditor countries, international financial organizations and international private banks, an attitude of co-responsibility in the solution of the foreign debt problem, taking into account, in addition, its political and social implications".

the possibility of tightening the financial situation for the whole region. In view of this, Brazil, Colombia, Mexico and Venezuela decided during the annual meeting of the Inter-American Development Bank, in Punta del Este, to lend to Argentina in order to make a payment (Tussie, 1988). However, a new rise in interest rates in those months made the adjustment efforts to sustain payments futile. On May 19, the presidents of Argentina, Brazil, Colombia and Mexico made simultaneous pronouncements on the effects of the interest rate hike, showing political harmony. It was emphasized that this generated a situation of risk for democracy and economic security that could not be extended indefinitely, and it was necessary to reorient efforts towards economic growth and the improvement of the population's living conditions. Navarrete (1987) points out that it was this letter that "conjured up the specter of a debtors' club". On June 5, at a meeting of foreign ministers and finance ministers of the aforementioned countries, together with Ecuador, Peru and Venezuela, a document was issued calling for a change in debt management. This document was presented to the G7 meeting in London, which reacted by stating that the debt would continue to be dealt with bilaterally -not as a block (Crisorio, 2013). In other words, creditor countries -in a coordinated manner- refused to consider the common situation of debtor countries, and referred to the IMF and the World Bank as the appropriate forum (Navarrete, 1985).

The situation became more tense when in June 1984, Argentina sent a letter of intent to the IMF, drafted for the first time unilaterally (without agreeing the text with the organization's technicians), relying in some way on the so-called odious debt doctrine by expressing that the obligation was contracted by a military government against the interests of the Argentine people (O'Connell, 1988; Tussie, 2013). On June 21 and 22, 1984, the foreign ministers and ministers of economy of Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Mexico, Peru, Dominican Republic, Uruguay and Venezuela met, launching the so-called Cartagena Consensus. At that time, Argentina, Bolivia and Ecuador had interrupted payments and the Dominican Republic its negotiations with the IMF. The creditors, trying to avoid the confluence, had granted advantageous credit lines (partial concessions) to Brazil, Mexico and Peru.

This tour shows that Cartagena was reached after a succession of declarations, meetings and previous studies, within the framework of a growing regional coordination not only focused on economic issues -but also linked to peace and the defense of democracy-, in the face of the creditors' refusal to offer coordinated solutions that would adopt -and materialize- a principle of co-responsibility (Pettifor, 2000). Even more radical solutions were on the agenda (the calls of the Non-Aligned Countries for relief and cancellations), and unilateral pressures from debtors (Argentina and Brazil). This framework is central to understand why, despite the incentives that made it unlikely, the confluence of debtors occurred (O'Donnell, 1987).

In Cartagena, a declaration was adopted whose central points were based on previous efforts (including the ECLAC and SELA document, as well as the Quito Declaration). Argentina and Bolivia presented the most radical coordination positions, even suggesting delegating negotiation to a centralized commission. However, most countries considered that their own case had special characteristics that would allow them preferential treatment and less stringent conditions, so that coordinated action should not be exaggerated (Tussie, 1988). They were therefore careful to make it clear that a debtors' club would not be formed: treatment would continue to be on a case-by-case basis, while debtor countries sustained adjustment measures to reaffirm their commitment to payments. But they demanded that priority be given to economic development and that negotiations be conducted within a common framework that prioritizes political dialogue (Navarrete, 1987). They emphasized co-responsibility and mutual concern in economic matters.

The specific proposals of the Consensus can be summarized as follows (Palma, 1984; Tussie, 1988):
1) adopt measures to reduce international interest rates or implement a mechanism to reduce the

impact of high rates on debtor countries; 2) take into account in each negotiation the capacity of each country to recover and repay; 3) establish a reasonable limit for debtors' commitments in relation to their export revenues; 4) strengthening the credit capacity of international lending agencies; 5) revising the criteria with which the IMF conditions its loans to make them more tolerable for debtor countries; 6) establishing longer repayment periods and more favorable interest rates and; 7) eliminating tariff barriers and other protectionist measures of industrialized countries to increase the export capacity of debtor countries. As can be seen, these proposals were in line with previous demands.

In addition, the Mechanism for Consultation and Follow-up was created, which met at the technical and ministerial levels between 1984 and 1986 (Green, 1990). After the first meeting in Cartagena, two more ministerial meetings were held in Mar del Plata (September 13-14, 1984) and Santo Domingo (February 7-8, 1985). During these meetings, the possibility of inviting the creditor countries to a political dialogue meeting was discussed at length, but they flatly refused (O'Connell, 1988). This would have implied putting debtor and creditor countries on an equal footing, giving a political entity to the confluence of the former. This refusal possibly facilitated the presence of 1,200 delegates from almost all the countries of the region at the meeting on the External Debt of Latin America and the Caribbean, held on August 3, 1985 in Havana⁷. There, Fidel Castro pointed out that the debt was mathematically and economically unpayable, and that it was neither morally nor politically acceptable to repay it. It was, therefore, a more radical call to cancel part of that debt -even with socialist countries- in a coordinated manner. The threat identified by the CIA (1985) was explicitly expressed there. The criticism of the Cartagena process made in Cuba was that it did not include all the countries of the region, since no Central American or Caribbean government was present there (Castro, 1985).

Just a month earlier, in July 1985, upon taking office as President of Peru, Alan García had indicated that he would not accept an IMF mediation and would limit debt payments to 10% of export revenues (Cf. Ugarteche, 1988). The presidents of Argentina, Brazil and Uruguay present, plus the host, created the Contadora Support Group, thus forming what became known as the Group of Eight. Garcia's announcement was thus endorsed by his peers, and the debt problem was part of the peace process and consolidation of democracy in the region. Peru declared a unilateral moratorium for six months in August 1985 (and would in fact default on its payments to the IMF as of April 1986).

It is likely that this intensification of the confluence exerted pressure on creditors (Tussie, 2013; Ugarteche, 1988), since in September the Baker Plan was launched, made official by the then US Secretary of the Treasury. This plan proposed a "program for sustained growth", shifting from the previous recessionary adjustment paradigm -where the problem was seen as exclusively one of liquidity, to be understood now as a problem of insolvency (Val, 2017)-, although reinforcing the coordinating role of the IMF and the obligation to advance in structural reforms to relaunch growth. Co-responsibility was accepted by making new funds available from international lending agencies, albeit for barely a third of what was to be paid for the debts. To disarm the confluence, the World Bank offered Mexico the first Trade Policy Loan in a comprehensive program of adjustment and liberalization, and then to Argentina to support the Austral plan. However, the Baker Plan did not provide sufficient relief or new funds, relying too much on the consent of the commercial banks (Navarrete, 1986; Rosales, 1986). Despite understanding that it was necessary for the region to grow in order to be able to pay, the plan relied on adjustment and stabilization in debtor countries, without considering measures to boost activity or specific policies in creditor countries to boost world aggregate demand (Cusminsky and Gitli, 1987).

⁷ Strictly speaking, only Argentina, Bolivia, Ecuador, Guyana, Nicaragua and Panama sent official representatives, while the rest of the emissaries participated unofficially (Córdova-Claure, 1985).

In December 1985, the Consensus countries met in Montevideo, where they issued a new Declaration, explaining that, if the proposed set of measures were not adopted, the region would be forced to stop transfers abroad. In other words, the consensual approach was partially abandoned, threatening a coordinated suspension of payments. There it was expressed that the Baker Plan implied partial consideration of their demands (O'Connell, 1988). In February 1986, only the countries that were members of the Montevideo follow-up committee met in Punta del Este. From there they raised a coordination initiative to the Group of Eight, which constitutes coordination at the presidential level, and the debt issue was carefully considered at their meeting in Acapulco in November 1987.

In February of that year, Brazil had declared a unilateral moratorium on payments, and as a result Argentina, Mexico and Chile obtained more favorable negotiations (O'Donnell, 1987). Brazil, on the other hand, had its trade credit cut, threatening to intensify sanctions. The strategy of the creditors of making partial concessions and at the same time threatening with sanctions those who insisted on unilateral actions was successful in containing this incipient Latin American confluence. The countries of the region hoped that they would not be punished and used coordination as a threat. Between 1984 and 1987 there was some exchange of legal and technical information, mutual diplomatic support and joint political declarations. While creditor countries were initially called to dialogue in order to achieve a coordinated solution, the lack of favorable responses led to the threat of unilateral payment suspensions. However, since 1988 there did not appear to be countries willing to make more intense threats to creditors (Tussie, 2013).

Creditors' refusals to debtor countries' demands and their strategies to dismantle possible confluences were combined with the changing international scenario in terms of trade (quantities and prices) and interest rate movements, which produced temporary relief that each country had to interpret in its own strategy. However, despite the magnitude of the crisis, the region did not incur in a generalized and systematic way in cessation of payments, which is a historical anomaly -if compared, for example, with the crisis of the 1930s (Estay Reyno, 1996; Marichal, 1988)-. The strenuous effort to meet the obligations generated by the debt implied a permanent transfer of resources abroad, which resulted in zero growth in the region, increased poverty and inflation during the 1980s (Bértola and Ocampo, 2021). It must be stressed that this was an exacerbated result of the region historical transfers abroad due to unequal exchange patterns (Hickel, Sullivan & Zoomkawala, 2021), by adding capital outflows.

On the side of the creditors, it was possible to avoid a generalized default and, although partial concessions were made, the greatest achievement was to avoid the cartelization of debtors, i.e., to sustain the imbalance of power (O'Donnell, 1987). It was a success for these actors to achieve the full involvement of the US government, which promoted a more active role of the Bretton Woods institutions, especially the IMF, which thus became central in the reformulation of economic policies focused on structural reforms (Ugarteche, 2009). This logic would reach its epitome with the presentation of the Brady plan in 1989 (by the then Secretary of the Treasury), which boosted access to private funds through the securitization of debts, with a relief of between 20-30% (which contrasted with the market value of those debts, which in the best of cases reached half the nominal value). The new bonds would be guaranteed by the US Treasury together with international lending agencies in exchange for the implementation of structural reforms, which included the valorization of the securities themselves in the framework of privatizations of public enterprises. The following decade brought renewed access to funds at low interest rates, which ended up dismantling any search for convergence in the region around the debt problem.

3.2 Concertation efforts in Africa

Although the Latin American experience of articulating debtor States described in Subsection 3.1 has undoubtedly been the most important in terms of its scope, there have been other efforts to achieve some coordination among debtor countries.

In another latitude, the debt problem was also growing in Africa. In July 1987, in a regional context marked by very high proportions of fiscal resources allocated to debt repayment in concomitance with indecent levels of poverty and extreme poverty in the African continent, the president of Burkina Faso, Thomas Sankara, at the meeting of the Organization of African Unity held in Addis Ababa, delivered his renowned speech calling for the non-payment of the African debt, denouncing the colonialist origins of the debt and its perpetuation, and the correlative call for coordination among debtor countries in the region. Sankara (1987) explained then:

“Debt cannot be repaid, first because if we don't repay, lenders will not die. That is for sure. But if we repay, we are going to die. That is also for sure. Those who led us to indebtedness gambled as if in a casino. As long as they had gains, there was no debate. But now that they suffer losses, they demand repayment. And we talk about crisis. No, Mister President, they played, they lost, that's the rule of the game, and life goes on. (...)I would want our conference to take on the urgent need to plainly say that we cannot repay the debt. Not in a warlike or bellicose spirit – but to prevent us from being individually assassinated. If Burkina Faso stands alone in refusing to pay, I will not be here for the next conference! But, with everyone's support, which I need, with the support of everyone we would not have to pay. In doing so, we would devote our meager resources to our own development”.

Two months after reading this speech, Sankara was assassinated in a coup d'état in Burkina Faso⁸.

Sankara explicitly quoted Fidel Castro in that speech. Countries on both sides of the Atlantic had participated in the sessions of the Non-Aligned Movement, and the Cartagena experience had not yet been dismantled. Sankara called for the formation of a United Front against the debt. On the Latin American side, the proposals to seek common negotiated frameworks to extend repayment terms and grace periods, as well as to reduce interest rates, resonated with echoes - this is what Peru, for example, was trying to do at that time (Ugarteche, 1988).

In December 1987, the Organization of African Unity adopted at its November/December extraordinary session a resolution on the African external debt crisis (OAU 1990), calling for the creation of a forum for international creditors and African debtor states to arrive at appropriate measures for the alleviation of the African debt situation. This resolution also contained the so-called “Common African Position on the African External Debt Crisis”, which demanded that “The strategy for the solution of Africa's debt problem should be based on cooperation, continuous dialogue and shared responsibility (...)”. And, more importantly for the purposes of this article, the States affirmed that “We commit ourselves to intensify intra-African cooperation and consultations through the exchange of information and harmonization of positions on debt negotiation and restructuring (...)” (paragraph IV.A.vii of the Position paper, emphasis added). In 1988 the Organization of African Unity issued another resolution specifically on the region's indebtedness, recalling the call for an international conference for African creditors and debtor States mentioned above (OAU 1988).

⁸ Thomas Sankara's policy actions on debt and their possible implications for the evolution of the Cartagena Consensus can be found in the analysis documents prepared by the CIA (CIA 1985).

The moral and political depth of Sankara's postulates galvanized in the 1990s, with a growing global movement in favor of debt cancellation for heavily indebted countries. Pressure from international civil society was felt: the narrative constructed by Sankara reached far beyond his home country. As a result, there was a reaction from creditors. It was the time of the IMF-sponsored Heavily Indebted Poor Countries Initiative, which facilitated the cancellation of multilateral debt of very poor countries. However, only 36 countries took advantage of this initiative, mostly in Africa.

In 2020, in the midst of the coronavirus pandemic, high-level representatives of Ethiopia, Senegal, South Africa and the African Union jointly and in coordination called for the postponement of the foreign debt and even the cancellation of payments. Ethiopian Prime Minister (and Nobel Peace Prize laureate) Abiy Ahmed, Senegalese Head of State Macky Sall and South African and African Union (AU) Chairman Cyril Ramaphosa took the request to the G20 plenary (Naranjo 2020). In mid-April 2020, the G20 granted a debt service deferral that lasted until the end of 2021 (see Section 5.1), while the IMF announced its debt relief program for poor countries (Catastrophe Containment Trust Fund), under which relief was given to 31 in total, 25 of them African. Nevertheless, three years after the pandemic, African countries are facing a severe debt crisis, some of them even declaring default. IMF insists on its traditional adjustment programmes. An authentic geopolitical struggle is taking place in the financial arena: while Western countries insist on China's responsibility as the main bilateral creditor, China refers to the unfair conditions under the IFIs' deals, on which relays most of African debt (Eickhoff and Thiele, 2023). The underachievement of development goals, including poverty reduction and climate challenges, encouraged the Egyptian Ministry of Finance to launch a sustainable debt coalition in December 2022. In March 2024, 45 African Ministers of Finance, Planning and Economic Development, worried on the growing weight of debt burden, endorsed the initiative (see ECA 2024). This shows that the need of a collective arrangement on debt is on the agenda for African countries.

4. Challenges, opportunities and prospects for debtors' collective action in LAC

After the outbreak of the crisis in 2008, central countries implemented monetary expansion policies that kept real interest rates low (even negative), which promoted the use of credit among States. This caused public debt to reach record levels before the pandemic (Cantamutto and Castiglioni, 2021). However, with the pandemic crisis, the levels of indebtedness took a new leap, whereby public debt reached the world GDP, representing 40% of the total debt - a fact unparalleled since the 1960s (UNCTAD, 2021a). As soon as the pandemic began, the creditor States themselves, which have a predominant presence in the G20, the IMF and the World Bank, drew up proposals to deal with the potential debt crisis. Among them, a very limited relief mechanism was proposed -used by 31 very poor countries for a meager US\$965 million-, a Debt Service Suspension Initiative (DSSI), which was used by 46 countries, and the proposal for a common negotiation framework. These initiatives had severe problems because they did not include other official creditors -such as China, which is currently the main official creditor- or private creditors. The IMF created two emergency lines and in August 2021 issued \$650 billion in Special Drawing Rights. None of these measures included consideration of the health and humanitarian emergencies of the debtor countries, the challenges of their recovery, much less gave them a space for dialogue to present their demands.

As soon as the world began to emerge from the pandemic, the problems of indebtedness made themselves felt again, especially because of the war in Ukraine and the rise in reference interest rates in the United States and Europe (World Bank, 2022; ECLAC, 2023b; Guénette, Kose and Sugawara, 2022). It should come as no surprise then that Jubilee identified in 2022 that 54 countries were

experiencing a debt crisis. The IMF's analysis of the 70 lowest income economies (poor countries) indicated that as of November 2023, 10 countries were in debt crisis and 26 countries showed a high risk of being in debt crisis, including three LAC countries (Dominica, Grenada, Haiti, St. Vincent and the Grenadines).

LAC is no exception to this generalized situation. Although data for 2022 indicated a reduction in the debt burden, it was still above pre-pandemic levels, at around 56% (ECLAC, 2023a). By way of comparison, in 1980, when the crisis of the lost decade began, public debts weighed on average 35% of GDP (Ugarteche 2013). So, objectively speaking, the situation is more delicate at present. In recent years, moreover, the weight of external debt in the total has increased, which adds difficulties centered on access to foreign currency (ECLAC, 2023a), and the weight of private creditors -especially through the issuance of bonds, which accounts for 74% of the external public debt- (Colodenco, Horas and Wiedenbrüg, 2023). Thus, the region's main creditors are not included in the initiatives of official creditors, and renegotiation depends mainly on a case-by-case treatment.

Given that the 2022 debt reduction relied on GDP recovery, as new threats loom over this dynamism (ECLAC, 2023a), it becomes more difficult to expect this limited relief to continue. All this generates a worrisome picture: the trend of increasing debt burden and associated services has escalated to a speed and level comparable to the crisis of the 1980s. The weight of external debt services relative to exports has grown severely in the region, oscillating around 25-30% (Colodenco, Horas and Wiedenbrüg, 2023).

Thus, the world periphery as a whole seems to be facing a delicate situation in terms of public indebtedness, to which there seem to be no great answers. The succession of pandemics, war in Ukraine and the implementation of restrictive monetary policies seems to indicate that debt is and will be a systemic problem in the years to come⁹. This reality collides head-on with the urgency of investments in the face of climate change, State commitments in relation to the Sustainable Development Goals and the international obligations of States in terms of economic and social rights. In LAC, this tension is compounded by the long series of pre-existing inequalities in the most unequal region on the planet in terms of wealth distribution.

In view of the above, there is an objective need to address the problem of sovereign over-indebtedness and the systematic imposition by creditors of contractionary economic policies affecting a large number of countries. The concertation of LAC debtor countries would undoubtedly strengthen their negotiating position vis-à-vis creditors. However, from what has been analyzed so far, it is possible to identify a series of challenges to conceive and put into practice an instance of organization and cooperation of this type.

In the first place, countries have to perceive their interests as common or complementary so that participating in that organization is valued as a better option than being outside it (Keohane, 1984: 72 ff.). However, countries often have divergent interests by the mere fact that they are hit by the crisis in a differentiated way, by their external situation in the balance of payments (Hojman, 1987), as well as by their closeness to creditor countries (Rama Iglesias and Schultz, 2015: 13). In addition, the geopolitical positions and strategies of debtor countries tend to influence determining financial decisions. These differences are exploited by creditors to maximize internal differences (CIA, 1985).

⁹ Bretton Woods agreements avoided a solution to address the need of a fairer international monetary system, which considers the countries commerce and financial imbalances (both developed and underdeveloped countries). Keynes proposals for an International Clearing Union and a global currency –Bancor- were rejected when engaging with US delegate proposal (Aglietta, 2018). This discussion is once again in nowadays agenda.

At this point, the governments of the region should focus on and highlight coincidences rather than divergences, which implies political and diplomatic work that is as creative as it is cautious. It is key to make visible the adverse socio-economic effects resulting from debt burden. Although these phenomena hit countries differently, the domino effect may affect the entire region through various channels: regional trade, access to credit -since capital flows show regional determinants-, or even in the event of a more severe crisis, due to internal migration phenomena.

Thus, the following aspects are also key in the dynamics of coordination among debtor States: reliability in communication among these governments (O'Donnell, 1985: 30); positive experiences of previous coordinated actions; and the tightness of political and economic ties among the countries that make up the group, so that there are ties that discourage governments from defection. To this end, it would be useful to create an institutional body to represent the group externally (Ostrom, 1990: 94 ff.).

At this point, it is important to insist on the cooperative benefits in general terms, beyond the specific problem of debt. In contrast to the 1980s, today there are integration experiences with diverse but recognizable paths and results. Among them, for example, Mercosur has been in force for almost three decades, or CELAC -which includes the 33 economies of the region- has been operating for 13 years. In more political than economic terms, UNASUR coordinated significant actions that involved a certain level of confrontation with central countries, such as the prohibition of entry to ports of ships flying the Malvinas flag, in support of Argentina's claim of sovereignty over the islands. This shared experience is a source of reciprocal trust, which is not free of threats, but can serve as a basis for concerted diplomatic action. These integration spaces are going through a political moment of re-launching, where Latin American unity is seen as an important asset and objective to be consolidated¹⁰.

It is thus necessary to think about the reconstruction of common integration spaces, which place the debt in relation to the broader interests of the region, such as peace, democracy and the welfare of its peoples -as it was done during the confluence of the 1980s-. In fact, it is from this region that the Bridgetown initiative was launched to the world (UNCTAD, 2021b). This proposal is based on the serious situation of indebtedness of the countries of the periphery (focusing on small island States) and associates it with urgent investment requirements in the face of climate change. In this sense, there are very concrete proposals to be promoted, whose moral significance has not been seriously disputed so far.

The possibility of re-creating a consultation mechanism focused on providing information and technical and legal advice would be of enormous help, especially for countries with fewer resources¹¹. Existing multilateral agencies have the capacity to carry out such a task, and even more so if it were to work in combination with the corresponding national agencies.

The threat of sanctions and the use of side payments by creditors to discourage and block debtors' concerted efforts cannot be ignored. In this sense, the possibility of having alternative sources of credit to get through the most conflictive situations is useful. On this point, countries that are not experiencing a particularly severe debt crisis may be able to contribute resources. But it is also possible to explore

¹⁰ UNASUR, for example, was severely limited with the departure of members during the wave of conservative governments in the region. Currently, Brazil is calling for the reconstitution of such a space. See <https://www.gov.br/planalto/es/ultimas-noticias/presidentes-sudamericanos-se-reunen-con-lula-en-brasilia-el-proximo-martes>

¹¹ And even for subnational public entities, which resort to the credit markets without adequate administrative, legal and accounting structures to enable them to deal with the requirements of creditors.

other competitive sources of credit, as has recently been the case with loans from development banks linked to the BRICS (Brazil, Russia, India, China and South Africa) or even bilaterally with China. This does not imply the neutrality of alternative sources or their solidarity-based nature: it is rather a matter of exploiting existing possibilities to force creditors to make concessions to ensure that the debt is sustainable without condemning debtor countries to misery. This possibility of alternative sources was not available at the time of the Cartagena Consensus.

Regarding private creditors, attention should be drawn to the strong asymmetry with respect to debtor countries. As explored by Munevar (2021), the incidence of government bonds in the total assets of large investors is really low. Conversely, countries face few creditors with great capacity to collateralize, nullifying the effect of Collective Action Clauses with ease. Then, if, on the one hand, any default implies a degree of impact on the value of creditors' assets (and therefore an effective threat), on the other hand, the dispersion of creditors and their lower systemic exposure removes direct incentives for the States of those same creditors to intervene directly.

Private creditors' over-demand, and their lack of agreement with common frameworks, jeopardize economic recovery and the global green transition, so that even the home States of creditors face a certain dilemma that could be wisely exploited. The need for a socio-ecological transition is actually in dispute, given the corporate-colonialist bias promoted by creditors (Ajl, 2021). A new deal on this matter, that considers Earth's limits and the quality of life in the planet, is needed (Mastini, Kallis & Hickel, 2021; O'Neill, Fanning, Lamb & Steinberger, 2018.). Creditors should not be able to hoard veto power to any ecological transition.

Furthermore, the possibility should be explored of referring to international and regional courts with human rights jurisdiction to seek the prevention or resolution of conflicts between creditors and debtor countries (Pettifor, 2002). For example, a group of LAC States could ask the Inter-American Court of Human Rights for an advisory opinion on how they should harmonize their financial obligations (debt) and human rights obligations, so that a political project of agreement between debtors could be recognized in such an objective of legal harmonization. In any case, it should be made explicit (even officially and in international forums) that under international law the principle of cooperation between States not only prohibits creditor States from intervening in the affairs of a debtor State (such as its public finances) but also prohibits discrimination against States -unequal treatment without legitimate reason-.

Likewise, in order to reduce the direct capacity of private creditors to exert pressure on debtors, the idea put forward during the pandemic of setting up a public risk rating agency should be revived, since this delicate task is currently in the hands of a few private agencies -whose shareholder control is also in the hands of creditors, who therefore have conflicting interests for a neutral evaluation-.

It should also be noted that countries often have conflicting domestic interests and that the interests of the majority of the population will not necessarily be reflected in foreign financial policy, given the different relative weights of the actors operating in society (Rama Iglesias and Schultz, 2015: 15). In general, the actors that depend on access to external financing are just a handful of companies of those operating in each country, which have great structural power. Given that this sector has privileged access to the media, to the dissemination of its ideas, even greater lobbying capacity before and within the State, it is vital to account for this confluence of interests, which implies a certain degree of political conflict. Governments embarking on a task of this nature cannot expect to be able to do so through a logic of total conciliation: even without direct and permanent confrontation, it is necessary to bear in mind that governments must be able to limit the influence of these actors.

Potential sanctions from creditors are thus combined with pressure from local partners. This may even take the form of economic destabilization, through currency or financial runs. If this were to happen, to what extent would the population be willing to support a government that demands sacrifices in the short term in order to obtain benefits in the medium and/or long term (Fernandez and Glazer, 1989: 25)? It is necessary to contain threats through mechanisms that lighten sanctions. Among them, it is relevant to note the possibility of associating to these disputes the need to review neoliberal structural reforms that gave greater power to these actors and were not always revised. Access to alternative financing channels may help to lighten the burden of potential sanctions. Likewise, the high international prices of the region's export products are a mechanism that relaxes the pressure on fiscal coffers.

Possible sanctions from creditors are not limited to financial or commercial issues, but also in terms of the external image of countries. The conflict Argentina went through with the so-called "vulture funds" between 2012 and 2015 illustrates this point, as the country was systematically harassed legally and in the media for refusing to pay these creditors an amount above the amount exchanged with the rest of the bondholders in 2005. However, it is precisely this case that provides a glimpse of how, over a period of time, an internal consensus was built regarding the excessive demands of certain creditors. For this very reason, governments should try to be as transparent and participatory as possible in national debates on the implications of over-indebtedness for the material living conditions of the population. The support of civil society can accompany comprehensive and participatory audit processes, which help to reconstruct the picture of those responsible for and beneficiaries of debt operations. The precedents of Ecuador in 2007, Iceland in 2009 and Greece in 2015 are valuable for showing that they give thickness to a political decision that has costs. They also show that the paths that follow from such a process are not unique, since audits are instruments and not ends in themselves.

Enriching public discussions, which determine the physiognomy of the dynamics of domestic policy, can help to marginalize positions that oppose the forging of regional alliances of debtors and strengthen the voices in favor. This is shown, for example, by the tax reform process undertaken in Colombia, with a clear regional vocation: "Latin American Summit for a global, inclusive, sustainable and equitable taxation", which will be held in July 2023 precisely in Cartagena. This kind of initiatives are relevant not only to build solidarity in the region based on dialogue, not only among governments but also with civil society. Moreover, it highlights two relevant components: to have leaderships that promote the agenda and to build a common narrative. Regarding the former, the governments promoting the initiatives do not necessarily have to be in trouble: it is precisely the other way around, the relatively comfortable situation allows them to maneuver with less external pressure.

Regarding the latter, the choice of Cartagena as a city illustrates the possibility of constructing a story, a broad narrative, that refers to a not so distant past, when attempts were made to move forward in another way that was blocked. It is not only the reference to the past that helps to rework the common destiny, but also the urgencies to come. In this sense, the absolute urgency of investing to deal in the climate change field would make it possible to bring together on the same plane a projection of a better future. The Bridgetown Initiative is a model to be expanded in this sense, although reinforcing the coordination component between affected countries: the affectation of common problems for which there may be a collective solution.

It is a possible task of the region's multilateral organizations -such as ECLAC- to help show the existence of a common scenario, with strengths and threats, and the possibility of building joint paths¹². The work of ECLAC and SELA in 1983 was key to give technical depth to the political demand. The incidence of civil society organizations and experts is of vital importance in this sense, and composes a potential task of construction of meaning: through research work as well as dissemination. It is necessary to make explicit how the common threat of debt can be twisted through common work, "turning weakness into strength" (as the CIA potentially did in the 1980s).

Finally, the characteristics of creditors and how they come together to negotiate influence the individual and collective negotiating capacity of debtor countries. Alliances between transnational banks, governments and IFIs, often captured by private financial investment interests, can determine the levels of coordination and political action of the creditor bloc to inhibit the organization of debtors' clubs. Here again, the Cartagena Consensus and the reaction of creditors testify to this dynamic. This situation may become even more complicated by the changes that have occurred in recent decades, such as the fact that since 2016 Brazil has been a member of the Paris Club, thus having an ambivalent role with respect to its role as debtor and creditor at the same time.

The rise of a new set of economies - among which China stands out - has been the engine of dynamism that has prevented a more far-reaching generalized crisis. China, which has become the world's main official creditor, has not yet developed its own institutional framework to displace or confront the Bretton Woods legacy, where hegemony is exercised by the US. So far, it has expanded its financial influence, but maintains its insertion within the IMF. Currently, China is guiding its international investment and loan policies through the Road and Belt initiative (Jones and Zeng, 2019), and has also reinforced the BRICS' bank as an international platform to gain influence in peripheral countries. In fact, in August 2023, six new countries (Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the UAE) were admitted to join. This does not detract from the fact that it implies a certain degree of friction with the dominant power. It is still unclear how BRICS are going to expand its influence, being mostly in a double standard role, both as debtors and creditors. This uncertain geopolitical scenario makes it possible for debtor countries to exercise pressure for some concessions¹³.

It is true that the comparative characteristics of debtor countries, and the domestic policy aspects of these same countries and of the creditor bloc, should not be interpreted in a static or isolated manner, but in their dynamic interrelationships. Debtors want to pay as little as possible but at the same time maintain access to the credit market, while creditors try to sustain the flow of collections and especially to maintain the imbalance of power in the negotiation. Both deploy strategies over time. The threats imposed and the differentiated benefits offered by both blocs are part of the game, and their effectiveness depends on their "credibility". In turn, the collective character (of debtors or creditors) determines the "seriousness" of the threats or benefits: the very possibility of collective default terrifies

¹² ECLAC, for example, has published several reports reflecting the delicate situation associated with the debt problem (some of which have been reviewed in this article). However, the issue does not appear as a central theme in the position paper of the First Meeting of the Regional Conference on South-South Cooperation in Latin America and the Caribbean (ECLAC, 2023c). Debt is barely mentioned in the possibility of moving forward with potential debt-for-nature swaps.

¹³ Within the framework of the renegotiation of the terms of the Extended Facilities agreement signed by Argentina in 2022, Argentina has bet on obtaining alternative resources through swap credit extensions with China as well as access to funds from the BRICS bank. This strategy was implicitly questioned by the US ambassador in Argentina, Marc Stanley, considering that it implied concessions for other foreign investors (coming from China) in lithium, dams and hydrocarbons in unconventional deposits: that is, in key sectors to face the energy transition on a global scale.

creditors, while unilateral default, which concentrates all the political, commercial and financial reprisals of the creditor bloc, is less credible. Similarly, offering differentiated benefits to some debtors may generate a breakdown in the cooperative strategy, while granting benefits to all debtors would imply a recognition of the vulnerable position of creditors, encouraging debtors to request further concessions in the face of the evidence of the outcome of collective action, as happened in the context of the Cartagena Consensus (CIA 1986: iv).

Today we could think of a joint strategic planning for the prevention and containment of damages derived from possible sanctions. Exploring, *ex ante*, the financial and political availability of financial agents that could accompany the tumultuous period of negotiation with creditors, covering financial "bumps" when they occur, resorting, for example, to credit agencies outside the Bretton Woods institutions, would imply a precautionary measure. Also, differentiated incentives for potential free-riders must be prevented from being effective. One way to limit the potential for "carrots" may be to require compliance with the "pari passu" principle, which is deeply rooted in the Paris Club guidelines, in the jurisprudence on sovereign debt collection and in historical commercial-financial practices. On the one hand, debtor States could commit themselves to collectivize the benefits that each could obtain for its part. On the other hand, it should be recalled that offering a country differentiated conditions for debt restructuring, without objective economic reasons to justify it, implies a discriminatory practice prohibited by international law, which requires precisely the same treatment to be granted to other States ("most favored nation" principle).

Thus, there are elements that justify thinking about the confluence of debtor States in the LAC region to deal with the debt problem. It should not be assumed that there is any guaranteed success in this regard since the threats are multiple: however, the mere fact of starting down this path has been enough in the past to achieve concessions. What would happen if debtor States go further this time?

5. Conclusions

This article addressed the question of the need and feasibility of organizing a club of debtor States in LAC. To this end, a framework of conceptual analysis was developed based on the collective action problems that debtors aspiring to achieve certain levels of horizontal coordination may face, as well as on the practical lessons that emerge from historical experiences that involved notable political coordination efforts among sovereign debtors. The Cartagena Consensus in the eighties, with its vicissitudes and results, offers a learning quarry (Guzmán, Colodenco and Wiendenbrug, 2024). Africa also offers a learning experience in terms of sovereign debtors' efforts.

Borrower governments, if they want to change the rules of the game so as not to be systematic net losers, need to focus and make explicit the convergences regarding the impact of debt on their economies. It is possible to take advantage of past experience, but also of the current political moment of relaunching regional confluences (such as the call to discuss fiscal policy in Colombia, or the proposals for greater integration from Brazil) to build a common narrative. Likewise, they might promote robust and transparent public debates at the national level, in order to facilitate the construction of political majorities that support these initiatives. The participation of civil society is key to give density to the debate, to prevent it from being trapped exclusively in political indirect representation.

It is also necessary to carefully plan a strategy to deal with the "carrots" and "sticks" that the creditor bloc usually deploys (see CIA 1986) in the face of attempts to cartelize sovereign debtors, including a robust system of collective self-reliance and collective resilience, as it was discussed in 2023 in the "Quito Dialogue on Debt and Development: Towards Sovereign Debtors' Club and Structural

Transformation.” Such a strategy would include formalizing the principle of “*pari passu*” (which would oblige the sharing with others of the differentiated benefits obtained by certain debtors) as well as the *ex ante* agreement of emergency financial assistance lines with entities that are not part of the creditor bloc being negotiated with. The principle of cooperation between States can strengthen these proposals.

The need to explore alternatives for concertation among debtor countries in LAC today is due to the burdensome burden of debt, which in turn is often associated with orthodox economic conditionalities that not only aggravate the fiscal position of debtor countries but also have an adverse impact on the economic and social human rights of the populations. The need for convergence among debtor countries has a past on which to build a narrative for the future. Before it the urgency of investments in the face of climate change, the initiatives already underway in the region and existing integration experiences in other areas emerge. It is possible to explore and try to take advantage of the regional and global political momentum to promote a solution based on cooperation among debtor countries. The recently UN General Assembly resolution on “Towards a New International Economic Order” (A/77/445) passed in December 2022, which contents as well as the States that voted for and against it epitomize the post-neoliberal political horizon, stresses “the need to explore the *means and instruments* needed to achieve debt sustainability and the measures necessary to reduce the indebtedness of developing countries” (parag. 12) (emphasis added by the authors). One of these means/instruments might be a club of debtor States.

Besides the case for needed debt relief to debtor countries in order to be able to fulfill environmental and human rights obligations, enhancing collective bargaining power of debtor States seem to be crucial to effectively promote more comprehensive reforms of the international financial architecture, a debate that remains deadlocked by the creditors’ veto power.

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