# British High Court rules that Liberia must pay debt

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The British High Court has ruled that Liberia, one of the poorest countries in the world, must pay a 30-year-old debt now amounting to £12 million ($20 million) to two "vulture funds". Liberia had claimed that repayment of the debt would be a violation of the Highly Indebted Poor Countries Initiative.

The HIPCI, set up in 1996, is a financial mechanism implemented by the World Bank and the International Monetary Fund (IMF) which ostensibly manages the external debt burdens of heavily indebted poor countries (HIPCs). To qualify as an HIPC and receive debt reductions and low-interest loans, impoverished countries had to agree to the opening up of their economies to the world market. They were obliged to privatise nationalised industries and public services, to remove subsidies and trade tariffs, increase taxes, and reduce public sector workers and wages. These measures inevitably had a detrimental effect on the poor.

The emergence of "vulture funds"—so called because they scavenge on rapidly weakening companies or nations—demonstrates the real character of such debt-relief schemes. "Vulture funds" are private equity and hedge funds that buy the debt of a poor country at a steep discount and then drag them through the courts. They stand to make massive profits from repayment of the loan itself, plus interest and penalties. The terms and structure of the HIPC and MDRI (Multilateral Debt Relief Initiative) schemes facilitate the activities of these companies because as funds are freed up from the reduction of some debts it becomes possible to demand immediate repayment of other debts.

In the case of Liberia, the amount claimed by Hamseh Investments and Wall Capital amounts to five percent of the annual budget. It is equivalent to half of Liberia's health and education budget. Liberia, a small impoverished country on the west coast of Africa, is recovering from a 14-year civil war that ended in 2003. Fully one in twelve of the population, 250,000 people, died in the civil war and life expectancy is just 45. It has been especially targeted by the "vulture funds", with an estimated total of $347 million awarded against the country—49 percent of its GDP.

At least 54 companies, many based in tax havens, are known to have taken legal action against 12 of the world's poorest countries in recent years according to the Jubilee Debt Campaign, for claims amounting to $1.5 billion. Wall Capital and Hamseh Investments are registered in tax havens in the Caribbean. Hamseh Investments has won a previous case against Nicaragua, winning $11.6 million on a debt bought for $2.5 million.

The modus operandi of these vulture companies is evident from the case of Nigeria. In 1979 Nigeria borrowed $15 million from Romania to buy agricultural machinery. By 1999, it was unable to repay and was in the process of renegotiating a debt that had risen to $30 million. A company called Donegal International (DI) bought the debt from Romania for $3.3 million—slightly more than Nigeria had offered to pay. The company waited until Nigeria qualified for the HIPC and was about to be included in the MDRI. It then pounced and sued for $55 million at the UK High Court. This amount was seen as excessive, but $15.5 million was awarded.

The Group of Eight (G8) summit of leading industrial

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nations set up MDRI in 2005. This was trumpeted at the time by the "Make Poverty History" campaign popularised by Bob Geldof and the worldwide Live8 concerts and demonstrations. Geldof hailed the pre-summit announcement that there would be a debt forgiveness package for some countries in sub-Saharan Africa as a "victory for millions." He claimed, "Tomorrow 280 million Africans will wake up for the first time in their lives without owing you or me a penny."

The *World Socialist Web Site* criticised this political fraud at the time. "The June 11 G8 agreement covers just 18 countries that have fulfilled the pro-market criteria set down under the Highly Indebted Poor Countries Initiative (HIPC)," the WSWS said, "and accounts for at most $1.5 billion per annum in repayments, and possibly only half that amount. The move is largely aimed at staving off criticisms of the major nations' failure to honour other commitments on aid.

"Whatever is given must be offset by a corresponding cut in aid to the poor countries, meaning that, in reality, they will get nothing extra. And to qualify, they must continue to 'boost private sector development' and eliminate all 'impediments to private investment, both domestic and foreign'."

Compared with the $40 billion that was announced in debt forgiveness, sub-Saharan Africa alone has $230 billion in external debt, and the so-called developing countries owe a combined total of $2.4 trillion. For every $1 of aid officially provided to Africa, $3 are extracted by the Western banks, institutions and governments. And far more is plundered by the transnational corporations.

The political leaders of the world are the representatives of national financial elites whose interests are diametrically opposed to those of working people everywhere. They could no more act altruistically toward Africa than they could jump out of their own skins. As capitalism first emerged in Europe, America and Japan, these countries were able to use their economic and military might to exploit the markets and resources of the entire world. Even today they look on Africa, Asia and South America as a source of valuable raw materials and markets. This is the source of the debt and the poverty of countries like Liberia.

For their part the ruling elites in the economically backward countries depend on their relations with the major powers and giant corporations to maintain their privileged position. Their task is to impose the dictates of the World Bank and the International Monetary Fund on the local working class and peasantry. They must maintain the flow of oil, minerals, agricultural produce and other essential raw materials to the advanced countries or to the "domestic" production facilities set up by the transnational corporations.

The granting of formal independence in the post-war period changed only the form in which imperialism has exerted its domination over the former colonial lands. The relationship between the major capitalist powers and countries like Liberia remains that of oppressor and oppressed. The High Court ruling summed up that relationship.

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