

The World of Debt: “Stark disparities and systemic inequalities” in the world of public debt

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A record 61 countries out of the 193 United Nations member states spent at least 10 percent of government revenues on payments to the world’s financial parasites: the banks and increasingly private creditors, asset managers and hedge funds.

The impact has been devastating: some 3.4 billion people live in countries that spend more on interest than health and education.

The latest *The World of Debt 2025: It is time for reform* published by the UN Conference on Trade and Development (UNCTAD) reports that global public debt rose to \$102 trillion in 2024, the highest level ever. Low-income countries accounted for \$31 trillion, one third of the total, a substantial increase from their 16 percent share in 2010.

The report draws attention to the record-high public debt burdens that poor people in the world’s poorest countries face as their governments—mainly in Africa, Asia and Oceania, Latin America and the Caribbean—pay out a record \$921 billion in interest, a 10 percent increase on the previous year. Their governments paid out \$25 billion more in interest than they received in new sources of income, leading yet again to a net outflow of funds.

The report points out the “stark disparities and systemic inequalities” in the world of public debt. The burden varies widely between countries depending upon the terms of financing and the types of creditors they can access and that “systemic inequalities in international financial systems are making things even more challenging”, with poor countries’ borrowing costs two to four times that of the US.

It mentions but does not dwell on the fact that increasingly low- and middle-income countries are borrowing from private creditors. Neither does it explain who these private creditors are, or the underlying economic, financial and legal processes involved.

As well as commercial banks such as JPMorgan Chase, Citibank, Deutsche Bank, HSBC, private creditors include: bondholders such as pension funds, asset managers, private equity and hedge funds, especially “vulture funds” that buy distressed sovereign debt and sue for repayment, such as Elliott Management in Argentina’s debt crisis; and asset managers

such as BlackRock, Vanguard, and Fidelity that hold large amounts of “emerging market” sovereign bonds.

As a result, low- and middle-income countries now owe about 61 percent of their external public debt to private creditors, 30 percent to bilateral lenders, with China being the largest single lender, and about 10 percent to the multilateral institutions such as the International Monetary Fund (IMF) and World Bank.

According to the *Financial Times*, this shift to private creditors accelerated after the 2008 financial crash, when banks came under increasing scrutiny, and private equity firms and asset managers more generally took centre stage. By the end of 2021, private creditors accounted for 61 percent of developing country debt, up from 46 percent in 2010. In some cases, such as Ghana, commercial lenders, including BlackRock, held about 76 percent of its external debt during its restructuring.

According to research by Debt Justice UK (formerly Jubilee Debt Campaign) using IMF and World Bank data on 88 low- and middle-income countries, private creditors received 39 percent of external debt payments, compared with 34 percent to multilateral institutions, 13 percent to Chinese public and private lenders, and 14 percent to other governments from 2020-2025.

Tim Jones, Debt Justice’s policy director, said its research put paid to the myth that China played the primary role in creating debt crises in low-income countries. This false narrative has been endlessly promoted by the US to deny funding via the multilateral organisations that it dominates to heavily indebted countries, as in the case of Zambia and other countries, on the basis that new loans or debt restructuring would simply end up in China’s pockets.

China has lent hundreds of billions of dollars for infrastructure and other projects in developing countries, often using export earnings from commodities or cash held in restricted escrow accounts from borrower nations as security for the loans.

Jones said, “Commercial high-interest lenders are receiving the greatest debt payments by lower-income countries” and demanded that “Where debt payments are too high, all external creditors need to cancel debt, in proportion to the interest rates

they charged.”

The data also underscores the enormous power the private creditors wield in countries that have to slash vital public and social services to pay them as they seek to restructure their debts.

- In Chad, Glencore delayed negotiations while continuing to be paid in full and Chad received no debt relief.

- Ethiopia’s private bondholders have refused take a “haircut” and threatened to use the UK courts to pressure Ethiopia to accept a weak deal.

- Zambia, which has poverty rates among the highest in the world, is in debt distress. It defaulted on its Eurobonds in November 2020 and has also accumulated arrears to other creditors. It has still to reach a deal with some private creditors, including UK-based Standard Chartered, after four and a half years of negotiations.

- Ghana has not been able to reach a deal with any of its non-bond private creditors, with some of them using political pressure to extract payment in full.

- Malawi has been trying to renegotiate its debt with Afreximbank and other high-interest lenders since May 2022, to little effect.

- Bondholders are refusing to restructure Ukraine’s GDP-linked warrants.

- In Sri Lanka, Hamilton Reserve Bank has rejected bondholder restructuring and is continuing to pursue a court case in New York state.

Perhaps the most egregious example is South Sudan, where Israel is reportedly seeking to ethnically cleanse Gaza’s Palestinian citizens. The impoverished oil-rich country, which became “independent” in 2011, faces a dire hunger crisis and disease outbreaks including cholera, exacerbated by ongoing climate change-induced droughts and flooding, years of conflict and waves of returnees and refugees fleeing the civil war in Sudan. Afreximbank successfully sued South Sudan for \$657 million in the UK courts after it defaulted on high-interest loans, equivalent to 47 percent of South Sudan’s government revenue.

These private creditors are typically far wealthier than the countries they lend to, with BlackRock alone managing \$10 trillion in assets, Vanguard \$8 trillion and State Street \$4 trillion, compared to Ghana’s GDP of \$75 billion, Zambia’s \$30 billion, and even Nigeria’s, Africa’s biggest economy, \$475 billion.

One asset manager has more money under management than the total annual economic output of the countries it lends to. State Street for example has more than 10 times South Africa’s GDP.

Just a handful of large asset managers, hedge funds and banks control vast amounts of money from pension funds, insurance companies and wealthy clients, so when they buy a sovereign bond—a government borrowing instrument—they typically wield far more power than the borrowing state.

Even when debt levels seem moderate, the lender can wield disproportionate influence over economic policy, fiscal priorities, and restructuring terms. Just a few global financial giants, such as BlackRock, Vanguard, State Street, etc., hold such a massive amount of sovereign bonds that their financial strategies—speculation—on the international markets can sway debt markets and national financing conditions.

The people that control these financial vultures pay themselves enormous sums of money. In 2024, BlackRock’s CEO Laurence D. Fink received \$30.77 million “compensation”, its president \$21.78 million, and two others more than \$10 million, while State Street’s CEO received \$17 million. Vanguard, as a private corporation, does not disclose its executive compensation, but 10 years ago was reportedly paying its CEO around \$15 million.

Utterly indifferent to the social devastation and economic impoverishment they are creating, these financial parasites have both the financial clout and the legal means, via their debt contracts, arbitration courts and investment treaties that are heavily stacked in their favour, to demand full repayment in the case of a default. For the debtor countries, or more precisely for their workers and rural poor, a default means more belt tightening, no work and more cuts in the already meagre healthcare and education and destabilises the whole economy. For the creditor, it is little more than loose change.

Power counts. It is more profitable for these private creditors to lend to low- and middle-income countries than to high-income countries. This power is in the hands of just a few thousand people who have effective control over entire countries.

This narrow financial oligarchy can subordinate much of the global economy to their endless quest for profit and enrichment. And what they do determines the fate of billions of people around the world. Yet their activities and finances are invisible to, much less controlled by, the working class who generate the wealth they expropriate.

The financial system is impossible to reform. It must be abolished, with the international working class in the advanced and less developed countries uniting on an international socialist program to take control of the global financial system as part of a broader strategy to reorganise society to meet human need, not private profit.



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