

GOVERNMENTS TAKE BIG STEP TOWARDS ENDING FUTURE DEBT CRISES

Developing countries vote united for a new regime, EU is divided

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The way debt crises are managed could change forever following a UN General Assembly (UNGA) resolution paving the way for an international treaty to manage sovereign debt crises.

The resolution, which was passed by 124 votes to 11 on Tuesday at 21:30 CET, gives the UN the mandate to create a multilateral legal framework for debt restructuring.

For the first time since the United Nations began negotiating resolutions on debt, the EU was divided. The vast majority of European countries abstained (according to Italy, speaking at the UNGA, because the process was too rushed and left too little time for consultation with headquarters), leaving open the option to engage constructively in the next steps of the process. Only a few major financial centres and net creditor nations such as Germany and the UK voted against it. The majority of votes in favour came from developing countries and emerging economies.

Bodo Ellmers, Policy and Advocacy Manager at the European Network on Debt and Development (Eurodad), said: "The UN Resolution is a political breakthrough towards the creation of an international insolvency regime for states. That debtor countries have taken the initiative shows their deep disappointment about the current regime - which is characterised by half-baked solutions, creditor-imposed austerity policies and never-ending lawsuits by predatory vulture funds."

He adds: "It is shameful that some European countries voted against this resolution. At the next stages of this process, EU leaders will have the opportunity to engage constructively and listen to their citizens, who want serious reform to prevent disastrous debt crises in future. Our heavily indebted continent is currently the most vulnerable to debt crises. Europe needs this insolvency regime most if the economic recovery should become a reality. European leaders need to stop protecting the financial elite and start putting the needs of citizens first."

Before the vote, a large coalition of European civil society organizations including Eurodad had called on European governments to vote in favour, in a letter sent to ministries and the embassies in New York.

The initiative for the UN Resolution was triggered by a vulture funds lawsuit, in which a New York court ruled that Argentina must pay vultures in full, while blocking payments to other creditors who had agreed to debt restructuring. For many observers, the New York court had been overstepping its mandate and violated Argentina's sovereignty, which triggered wide support for a multilateral legal framework that would bind national courts.

Vulture fund lawsuits have made past debt restructurings more costly and time-consuming, including in the world's poorest countries. It is expected that the new legal framework will do away with the business model of vulture funds.

Bodo Ellmers added: "It won't do any harm if the vulture funds become extinct. This is also good for Europe, as several European countries might need to restructure their debts in the near future and vulture funds have already bought, amongst others, bad loans in Spain. Europe does not have its own vulture fund legislation, which makes the new multilateral legal framework even more necessary."

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For more information or to request an interview with Bodo Ellmers, please contact Julia Ravenscroft, Communications Manager at Eurodad, on Juliar@eurodad.org or +32 2 893 0854.

NOTES TO EDITORS

- Eurodad and more than 20 partners wrote to EU leaders asking them to vote in favour of the UNGA resolution. The letter can be accessed [here](#).
- The United Nations will now decide on the modalities of negotiations among the UN Member States which would lead to a multilateral legal framework. These will be fixed in a second UN resolution, to be adopted before the end of the year.