



Study Guide

Topic Area A

Tackling the spillover effect of economic crisis; human rights and external debt sustainability

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Study Guide Topic Area A: *Tackling the spillover effect of economic crisis; human rights and external debt sustainability* to be discussed at Committee of Ministers for the Ministerial Summit of the Council of Europe for its simulation during the 7th Rhodes Model Regional Co-operation to be held in Rhodes, October 12-16, 2016. Version 1.0 – Pages 22 – Last update: 20/08/2016

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Welcoming Message from the Board of the Council of Europe

Honorable ministers,

The Board of the Council of Europe is extremely pleased to welcome you in the 7th edition of the Rhodes Model Regional Co-operation (RhodesMRC), which will be held from the 12th to the 16th of October 2016 in the island of Rhodes. We are really happy to consider that you are going to be part of the committee, bearing in mind that the core of every committee, and every single debate of it, are the participants, the delegates, you. We are willing to guide you and answer to every question you may have, so as to contribute in making this conference such an unforgettable experience for

all, share with you the same passion for attending simulations and urge you to develop your skills on diplomacy, political speech and ongoing situations. Based on the specific authorities of the Council of Europe, let us present you through this study guide the agenda items that are going to be addressed during the upcoming sessions. To be more precise, these are: a) tackling the spillover effect of economic crisis; human rights and external debt sustainability and b) protection of journalism: media freedom in challenging times. Before we proceed with the analyzation of both issues, we believe it is important to tell you a few things about us, so as to know each other better. The chairperson salutes you! My name is Evangelia Mitropoulou -it would be fully appreciated if you call me Lia- and for RhodesMRC 2016, I will have the great honor to serve as the chairperson of the Council of Europe, when at the same time representing Estonia, since Estonia holds the chairmanship of the Council of Ministers for the period May- November 2016. I will have this honor along with his excellency, the Secretary General Minas Lyrstis. As far as myself is concerned, I am a fourth year undergraduate student in the Faculty of Law in the National and Kapodistrian University of Athens. I had my internship in the Greek Ministry of Foreign Affairs and most specifically in the Directorate of the United Nations and International Organizations- this will be my 23rd-, and for the time being I am focusing on my studies, on serving my passion to participate in simulations of international organizations and European organs, working as an analyst of international affairs and volunteering.

At this point, the Secretary General salutes you! My name is Minas Lyrstis and I will serve as the Secretary General of the Council of Europe for RhodesMRC 2016. I was born in Mykonos, and I currently study at the Department of Mediterranean Studies of Aegean University. I have just finished my Erasmus+ Studies at University of Ghent(Be) and I am now looking forward to meet you at Rhodes. For the time being, I also work as a youth professional at Center of Middle East Policy and Culture(KEMMEP). I also worked as an intern at the Greek Ministry of Foreign Affairs, the UNHCR in Athens and in various research groups in University of Ghent. Moreover, I am a member of the organizing committee of Mare Nostrum, an academic conference dealing with economy, politics and international Relations in the Mediterranean Sea, held also in Rhodes every May. RhodesMRC 2016

will be my 4th Simulation at Rhodes and the 10th overall. What Minas expects from you? Study enough and be fully prepared for these 5 day!

See you all in Rhodes!

Best regards,

Lia Mitropoulou & Minas Lyristis.

General Introduction on the Committee

The Council of Europe has been created after the Second World War in order to achieve a greater unity between its members for the purpose of safeguarding and realising the ideals and principles which are their common heritage and facilitating their economic and social progress. Any European State may become a member of the Council of Europe as far as it accepts the principles of the rule of law and of the enjoyment by all persons within its jurisdiction of human rights and fundamental freedoms.

This aim shall be pursued through the two organs of the Council – the Committee of Ministers and the Consultative Assembly – by discussion of questions of common concern and by agreements and common action in economic, social, cultural, scientific, legal and administrative matters and in the maintenance and further realisation of human rights and fundamental freedoms.

The Committee of Ministers is the organ which acts on behalf of the Council of Europe. Each member shall be entitled to one representative on the Committee of Ministers, the Minister for Foreign Affairs or its Representative. On the recommendation of the Consultative Assembly or on its own initiative, the Committee of Ministers shall consider the action required to further the aim of the Council of Europe, including the conclusion of conventions or agreements.

The Parliamentary Assembly is the deliberative organ of the Council of Europe. It shall debate matters within its competence under the Statute of the Council of Europe and present its conclusions, in the form of recommendations, to the Committee of Ministers. Each member State is represented by a delegation from its national parliament. The number of seat for each member State is given in the Statute of the Council of Europe (Article 26).

Both these organs are served by a Secretariat directed by the Secretary General.¹

Focusing on the Committee of Ministers, it is the Council of Europe's statutory decision-making body. Its role and functions are broadly defined in Chapter IV of the Statute. It meets at ministerial level once a year and at Deputies' level (Permanent Representatives to the Council of Europe) weekly. The Ministers' Deputies are assisted by a Bureau, rapporteur groups, thematic coordinators and ad hoc working parties.²

Focusing on the fact that the Council is called to the "safeguard of human rights", we need to note its primary mandates. To begin with, the Council advocates freedom of expression and of the media, freedom of assembly, equality and the protection of minorities. It has launched campaigns on issues such as child protection, online hate speech, and the rights of the Roma, Europe's largest minority. It also helps member states fight corruption and terrorism and undertake necessary judiciary reforms. Its groups of constitutional experts, known as the Venice Commission, offers legal advice to countries throughout the world. Last but not least, it monitors member states' progress in these areas and makes recommendations through independent expert monitoring bodies.

General Introduction on the Agenda item

The promotion of human rights, which is considered to be the milestone of the goal and function of the Council of Europe, needs to be examined under the scope of the spillover effect of the economic crisis along with the term of external debt sustainability.

*"Debt sustainability is one of the most used and abused concepts in recent discussions on preventing and resolving sovereign debt crises."*³

Before examining the connection between human rights and external debt sustainability, it is proven extremely significant to approach the issue of debt crises in general. From the Century BC till 2016, both developed and developing countries have been subject to repeated economic crises threatening global economic stability and long-term sustainability. Case studies such as the

¹ <http://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/001>.

² <http://www.coe.int/en/web/cm>.

³ From the overview of the Book "Debt defaults and lessons from a decade of crises" by Federico Sturzenegger and Jeromin Zettelmeyer.

European Debt Crisis and/ or the Latin American Debt Crisis of the 1980s -that will be analyzed in one of the following sectors of this study guide- seem to be exemplified examples of the disastrous consequences that debt crises cause.

The highlighter of the issue is the global financial crisis of 2008. Despite the fact that it's been 8 years from then, it cannot be denied that the global economy remains fragile at this time. Although the recovery in advanced economies is evolving smoothly, many emerging market and developing economies are facing an important economic slowdown, and some large economies show signs of distress. This challenging situation reveals the need for a realistic, targeted and comprehensive policy towards promoting growth and limiting vulnerabilities.

Bearing all the above in mind, it would be inevitable not to wonder which is the exact relation and importance of human rights' interaction regarding the spillover effect of economic crisis. United Nations Human Rights Office of the High Commissioner notes that the imperative to address the effects of foreign debt on human rights arises from the principle of international assistance and cooperation, which is implicit or explicitly provided for in the Charter of the United Nations and numerous other binding international instruments.

The main reason referring to the United Nations is that the Council of Europe works in close partnership with the European Union, and cooperates with the United Nations, the Organization for Security and Co-operation in Europe (OSCE), and with partner countries in its neighborhood and worldwide. And of course, above all, the European Court of Human Rights oversees the implementation of the European Convention on Human Rights in the member states. Individuals can bring complaints of human rights violations to the Strasbourg Court once all possibilities of appeal have been exhausted in the member state concerned.

The question to be answered through this document is to describe the circumstances under which the negative impacts of economic crisis threaten the full enjoyment of human rights, underline the importance of the establishment of a sovereign debt restructuring mechanism and prevent long-term sustainability. The actions that have already been taken need to be recalled and undoubtedly reinforced since otherwise the external debt of the more and more economies may become unsustainable and give rise to more case studies for the future. The emergency of tackling the

spillover effect of economic crisis is justified under the scope that the current financial crisis is the worst has faced since the Great Depression of the 1930s.

Definition of Key Terms Regarding the Issue

a) Economic crisis: *A situation in which the economy of a country experiences a sudden downturn brought on by a financial crisis. An economy facing an economic crisis will most likely experience a falling GDP, a drying up of liquidity and rising/falling prices due to inflation/deflation. An economic crisis can take the form of a recession or a depression. Also called real economic crisis.⁴ Recession is a period of general economic decline, defined usually as a contraction in the GDP for six months (two consecutive quarters or longer. Marked by high unemployment, stagnant wages, and fall in retail sales, a recession generally does not last longer than one year and is much milder than a depression. Although recessions are considered a normal part of a capitalist economy, there is no unanimity of economists on its causes.⁵ And depression is the lowest point in an economic cycle characterized by (1) reduced purchasing power, (2) mass unemployment, (3) excess of supply over demand, (4) falling prices, or prices rising slower than usual, (5) falling wages, or wages rising slower than usual, and (6) general lack of confidence in the future. Also called a slump, a depression causes a drop in all economic activity. Major depressions may continue for several years, such as the great depression (1930- 1940) that had worldwide impact.⁶*

b) Human Rights: *A right, in general, is a moral or legal entitlement to have or do something.⁷ According to the official website of the Office of the High Commissioner for Human Rights, human rights are rights inherent to all human beings, whatever our nationality, place of residence, sex, national or ethnic origin, color, religion, language or any other status. We are equally entitled to our human rights without discrimination. These rights are all interrelated, independent and indivisible. Universal human rights are expressed and guaranteed by law through international treaties, customary international law, general principles and case law. The Universal Declaration of Human*

⁴ <http://www.businessdictionary.com/definition/economic-crisis.html>.

⁵ <http://www.businessdictionary.com/definition/recession.html>.

⁶ <http://www.businessdictionary.com/definition/depression.html>.

⁷ <http://www.oxforddictionaries.com/definition/english/right>.

Rights includes all universal rights. Nevertheless, the thing is that international human rights law is dependent on national legislation. The governments are called to act in certain ways and refrain from certain acts, in order to promote and protect human rights and fundamental freedoms of individuals and vulnerable groups. At this point, it should be clarified that a human right entail does not only guarantee to someone the freedom of doing something, but also may include in its core some obligations. States assume obligations and duties under international law –the sources of the international human rights law have already been underlined above- so as to succeed in human rights' protection. The fact that a state is obliged to respect human rights means that it must refrain from interfering with or curtailing the enjoyment of human rights. That is to say, the obligation to protect requires each state to protect individuals and groups against human rights abuses, when the obligation to fulfil mean that each state is obliged to take positive action to facilitate the enjoyment of those people's rights. The Office of the High Commissioner for Human Rights, also, reminds that an individual level, while we are entitled our human rights, we should also respect the human rights of others.⁸

Before approaching a definition of external debt sustainability, it would be crucial to give the definitions of sustainability and debt sustainability.

c) Sustainability: *The idea that goods and services should be produced in ways that do not use resources that cannot be replaced and that do not damage the environment.*⁹

d) Debt sustainability: A situation in which a borrower is expected to be able to continue servicing its debts without an unrealistically large future correction to the balance of income and expenditure. Sustainability rules out any of the following: a situation in which a debt restructuring is already needed (or expected to be needed); a situation where the borrower keeps on indefinitely accumulating debt faster than its capacity to service these debts is growing; or a situation in which the borrower leaves beyond its means by accumulating debt in the knowledge that a major retrenchment will be needed to service these debts (even if nothing in the external environment changes). The cost of financing is a key factor influencing debt accumulation (i.e. the present value budget constraint), and thus sustainability.

⁸ <http://www.ohchr.org/EN/Issues/Pages/WhatareHumanRights.aspx>.

⁹ <http://dictionary.cambridge.org/dictionary/english/sustainability>.

e) External debt sustainability: External debt sustainability, by its very nature, entails the need to pursue a time-consistent path that will allow that the debt-servicing burden over time, as a minimum, does not hamper economic growth, and in more general circumstances enhances growth. The simplest test of sustainability is that over the medium term the rate of return on investment exceeds the opportunity cost of funds, with the real interest rate as the most relevant proxy. While such principle is valid at the micro level, and it would hold if all external resources were to be invested on that basis, the actual experience of debtor countries is more complex. In practice, the public sector borrowing and part of the private sector borrowing do not follow these principles and tends to be oriented to expenditure with no market- related rate of return. It thus entails the need for limits in expenditure or increases in revenue, associated with higher growth in the future. Debt sustainability exercises focus mainly on the public finances, where the level of indebtedness has to be seen at an aggregate level, fundamentally, through the medium term debt service ratio to revenues of the public sector, and the behavior of the external public debt to GDP ratio.¹⁰

Topic History

1929- 1939: The Great Depression was the deepest and longest-lasting economic downturn in the history of the Western industrialized world. In the United States, the Great Depression began soon after the stock market crash of October 1929, which sent Wall Street into a panic and wiped out millions of investors, over the next several years, consumer spending and investment dropped, causing steep declines in industrial output and rising levels of unemployment failing companies laid off workers. By 1933, when the Great Depression reached its nadir, some 13 to 15 million Americans were unemployed and nearly half of the country's banks had failed. Though the relief and reform measures put into place by President Franklin D. Roosevelt helped lessen the worst effects of the Great Depression in the 1930s, the economy would not fully turn around until after 1939, when World War II kicked American industry into high gear.¹¹

¹⁰ <http://q24.org/wp-content/uploads/2014/03/Loser-1.pdf>, p. 8.

¹¹ <http://www.history.com/topics/great-depression>.

1998- 2005: Case histories of the default and debt crises in seven emerging market countries and more specifically, Russia, Ukraine, Pakistan, Ecuador, Argentina, Moldova and Uruguay.

2002: The Sovereign Debt Restructuring Mechanism was proposed by the former Deputy Managing Director of the International Monetary Fund, Anne Krueger, as a means promoting the timely, orderly restructuring of sovereign debts. The private sector was standing the deterrent of the international support of the idea since the Fund was considered not be able to be an arbitrator lacking impartiality. The Fund changed the potential of the proposal, but without removing the idea of how sovereign debt would be consistent with domestic bankruptcy frameworks. Before the completion of the discussions, John Taylor (the Assistant Treasury Secretary) closed the debate.¹²

2008: Global economic crisis.

2010: The Sovereign Debt Restructuring Mechanism's debate was cancelled and the SDRM had not the chance to prove that it may be in place to facilitate a timely, orderly restructuring of Greek debt.

2010: Since 2010, many governments decided to focus on austerity policies as emergency measures. Also, European and international institutions of economic governance have decisively contributed in enforcing austerity's policies.

Legal Framework

Article 1 (3) of the United Nations Charter states that the purposes of the United Nations include the achievement of "*international cooperation in solving international problems of an economic, social, cultural or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion*". In **article 56 of the Charter**, Members States have pledged themselves "*to take joint and separate action in cooperation with the Organization*" to achieve the aforementioned purposes.

Article 28 of the Universal Declaration of Human Rights provides that "[e]veryone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be

¹² <https://www.cigionline.org/blogs/new-age-of-uncertainty/g20-and-sovereign-debt-restructuring-mechanism>.

fully realized". An international order characterized by extreme indebtedness of low- and middle-income countries and an attendant inability to fulfil their human rights obligations to their citizenry is inconsistent with this entitlement.

Under article 2 (1) of the International Covenant on Economic, Social and Cultural Rights, each State party "*undertakes to take steps, individually and through international assistance and cooperation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means, including particularly the adoption of legislative measures*".

In terms of **article 22, of the International Covenant on Economic, Social and Cultural Rights**, the Economic and Social Council "*may bring to the attention of other organs of the United Nations, their subsidiary organs and specialized agencies concerned with furnishing technical assistance any matters arising out of the reports [submitted by the States Parties to the Covenant] which may assist such bodies in deciding, each within its field of competence, on the advisability of international measures likely to contribute to the effective progressive implementation of the present Covenant*". States parties to the **Convention on the Rights of the Child** are obliged to undertake measures for the implementation of the economic, social and cultural rights set out in the Convention to the maximum extent of their available resources and, where needed, within the framework of international cooperation (**art. 4**).

Similarly, **article 4 (2) of the Convention on the Rights of Persons with Disabilities**, states, with regard to economic, social and cultural rights, that "[e]ach State Party undertakes to take measures to the maximum of its available resources and, where needed, within the framework of international cooperation, with a view to achieving progressively the full realization of these rights, without prejudice to those obligations contained in the present Convention that are immediately applicable according to international law".

Discussion of the Problem

In order to ensure the effective and equal enjoyment of all human rights -civil, political, economic, social and cultural- in times of economic crisis and fiscal austerity, the Commissioner for Human Rights calls on Council of Europe member states to:

1. institutionalize transparency, participation and accountability throughout the economic and social policy cycle;
2. conduct systematic human rights and equality impact assessments of social and economic policies and budgets;
3. promote equality and combat discrimination and racism;
4. ensure social protection floors for all;
5. guarantee the right to decent work;
6. regulate the financial sector in the interest of human rights;
7. work in concert to realize human rights through economic co-operation and assistance;
8. engage and support an active civil society;
9. guarantee access to justice for all;
10. ratify European and international human rights instruments in the field of economic and social rights;
11. systematic work for human rights; and
12. engage and empower national human rights structures in responses to economic crisis.¹³

CURRENT SITUATION IN MAINLY AFFECTED STATES (BLOCK POSITIONS)

In the following table, the external debt of the member states of the Council of Europe as well as of the observers that will participate in the upcoming sessions (12-16 October 2016) is presented. The date refers to the date that the information was collected.

1	Albania	7.867.230.000 EUR	5 May 2016
2	Andorra	NA	-
3	Armenia	9111.13 USD Million	31 May 2016

¹³<https://wcd.coe.int/com.intranet.InstraServlet?command=com.intranet.CmdBlobGet&IntranetImage=2664103&SecMode=1&DocId=2215366&Usage=2>.

4	Austria	591495 EUR Million	31 December 2015
5	Azerbaijan	\$9.833 billion	31 December 2014
6	Belgium	1033219 EUR Million	31 December 2015
7	Bosnia and Herzegovina	8654289.99 BAM THO	31 March 2016
8	Bulgaria	34792.80 EUR Million	31 March 2016
9	Canada	612.33 CAD Billion	31 December 2015
10	Croatia	44575.51 EUR Million	28 February 2016
11	Cyprus	102488.04 EUR Million	31 December 2015
12	Denmark	14613 DKK Million	5 May 2016
13	European Union	12498814.86 EUR Million	31 December 2015
14	Finland	441616 EUR Million	31 December 2015
15	FYROM	6353.73 EUR Million	31 December 2015
16	France	5013631.02 USD Million	31 December 2015
17	Georgia	14962.82 USD Million	31 December 2015
18	Germany	4515636 EUR Million	31 December 2015

19	Greece	421785.70 EUR Million	31 December 2015
20	Holy See	NA	-
21	Hungary	113583.04 EUR Million	31 March 2016
22	Iceland	3293544 ISK Million	31 March 2016
23	Ireland	1747728 EUR Million	31 December 2015
24	Israel	92111.10 USD Million	31 March 2016
25	Italy	838625 EUR Million	31 December 2015
26	Latvia	35147.58 EUR Million	31 March 2016
27	Liechtenstein	0	-
28	Lithuania	30289.10 EUR Million	31 March 2016
29	Luxembourg	21.4% of GDP	31 December 2015
30	Malta	89287.80 EUR Million	31 December 2015
31	Moldova	6338.39 USD Million	31 December 2015
32	Monaco	NA	-
33	Montenegro	61.4% of GDP	31 December 2015
34	Netherlands	3763189 EUR Million	31 March 2016
35	Norway	0	31 December 2014
36	Poland	328446 USD Million	31 December 2015
37	Portugal	394360.90 EUR Million	31 March 2016

38	Romania	88415 EUR Million	30 April 2016
39	Russia	516.10 USD Billion	31 March 2016
40	San Marino	NA	-
41	Serbia	26357.80 EUR Million	31 December 2015
42	Slovakia	67.23 EUR Billion	31 December 2015
43	Slovenia	10023 EUR Million	31 December 2015
44	Spain	1815216000 EUR Thousand	31 December 2015
45	Sweden	154347 SEK Million	31 May 2016
46	Switzerland	118233.10 CHF Million	31 March 2016
47	Turkey	398038 USD Million	31 December 2015
48	Ukraine	117358 USD Million	31 March 2016
49	United Kingdom	£ 1.609.0907.732.123	30 June 2016
50	United States of America	\$19.188,102.413.248	5 May 2016
51	Estonia	18996.80 EUR Million	31 March 2016

Msgr. Gyhra of the Permanent Mission of the Holy See, during a session of the Human Rights Council, in Geneva, mentioned that “the debt of developing countries must be placed in a broader context of economic, political and technological relations, which have brought an increased interdependence between countries, as well as the need for international collaboration in pursuing the objectives of the common good; this interdependence should give rise to a new and broader

*concept of solidarity which respects the equal dignity of all peoples, rather than leading to domination by the strongest, to national egoism, to inequalities and injustices”.*¹⁴

As it can be observed through the table, some of the world’s largest economies have the biggest external debt. For instance, according to a recent article in the Telegraph, *the United Kingdom’s government owes more than £1.6 trillion to its creditors.*¹⁵ Nevertheless, the point that needs to be taken into consideration for the current situation to be tackled is the fact that a great debt does not necessarily mean an unsustainable one. In other words, the questions that is posed is whether a debt is sustainable or unsustainable and which are the criteria that should be examined for the categorization to be conducted.

Actions that have already been taken

The Paris Club: The Paris Club is the major forum where creditor countries renegotiate official sector debts. It does not exist as a formal institution. It is rather a set of rules and principles for debt relief that have been agreed on by its members. A Paris Club “treatment” refers to either a reduction and/ or renegotiation of a developing country’s Paris Club debts. The Paris Club includes the United States and 18 other permanent members, the major international creditor governments. Besides the US, the permanent membership is composed of Austria, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, Norway, Russia, Spain, Sweden, Switzerland and the United Kingdom. Other creditors are allowed to participate in negotiations on an ad-hoc basis.¹⁶

United Nations past Resolution: On 29 September 2015, and after long negotiations, the General Assembly of the United Nations adopted the Resolution A/69/319 on the “*Basic Principles on Sovereign Debt Restructuring Processes*”¹⁷. To focus on these principles, according to the text of the resolution, they are the following:

¹⁴http://en.radiovaticana.va/news/2016/03/07/holy_see_developing_country_debt_should_be_put_in_context/1213735.

¹⁵<http://www.telegraph.co.uk/business/2016/02/19/how-large-is-the-uks-national-debt-and-why-does-it-matter/>.

¹⁶<https://www.fas.org/sqp/crs/misc/RS21482.pdf>.

¹⁷http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/69/319.

- *Sovereignty: A Sovereign State has the right, in the exercise of its discretion, to design its macroeconomic policy, including restructuring its sovereign debt, which should not be frustrated or impeded by any abusive measures. Restructuring should be done as the last resort and preserving at the outset creditors' rights.*
- *Good faith: Good faith by both the sovereign debtor and all its creditors would entail their engagement in constructive sovereign debt restructuring workout negotiations and other stages of the process with the aim of a prompt and durable re-establishment of debt sustainability and debt servicing, as well as achieving the support of a critical mass of creditors through a constructive dialogue regarding the restructuring terms.*
- *Transparency: Transparency should be promoted in order to enhance the accountability of the actors concerned, which can be achieved through the timely sharing of both data and processes related to sovereign debt workouts.*
- *Impartiality: Impartiality requires that all institutions and actors involved in sovereign debt restructuring workouts, including at the regional level, in accordance with their respective mandates, enjoy independence and refrain from exercising any undue influence over the process and other stakeholders or engaging in actions that would give rise to conflicts of interest or corruption or both.*
- *Equitable treatment: Equitable treatment imposes on States the duty to refrain from arbitrarily discriminating among creditors, unless a different treatment is justified under the law, is reasonable, and is correlated to the characteristics of the credit, guaranteeing inter-creditor equality, discussed among all creditors. Creditors have the right to receive the same proportionate treatment in accordance with their credit and its characteristics. No creditors or creditor groups should be excluded ex ante from the sovereign debt restructuring process.*
- *Sovereign immunity: Sovereign immunity from jurisdiction and execution regarding sovereign debt restructurings is a right of States before foreign domestic courts and exceptions should be restrictively interpreted.*
- *Legitimacy: Legitimacy entails that the establishment of institutions and the operations related to sovereign debt restructuring workouts respect requirements of inclusiveness and the rule*

of law, at all levels. The terms and conditions of the original contracts should remain valid until such time as they are modified by a restructuring agreement.

- *Sustainability: Sustainability implies that sovereign debt restructuring workouts are completed in a timely and efficient manner and lead to a stable debt situation in the debtor State, preserving at the outset creditors' rights while promoting sustained and inclusive economic growth and sustainable development, minimizing economic and social costs, warranting the stability of the international financial system and respecting human rights.*
- *Majority: Majority restructuring implies that sovereign debt restructuring agreements that are approved by a qualified majority of the creditors of a State are not to be affected, jeopardized or otherwise impeded by other States or a non-representative minority of creditors, who must respect the decisions adopted by the majority of the creditors. States should be encouraged to include collective action clauses in their sovereign debt to be issued.*

Proposals on addressing the issue

- To tackle the spillover effect of the economic crisis, the main principle of financial resources needs to start increasing again in line with broad indicators of world economic growth, trade and finance, to allow for adequate levels of financing.
- Based on additional resources, International Financial Organizations are expected to follow a strong counter-cyclical approach. That is to say that active engagement is the key to deal with the situation at a time when private resources of financing tend to dry up.
- Debt restructuring mechanisms need to be improved. The question to be answered is how concerted efforts could lead to such a result. It was 4 years ago when the G20 were called to put the Sovereign Debt Restructuring Mechanism (SDRM) back on the international agenda. The needs rising from such a call are proven to be similar to the current needs. More specifically, the objective of the SDRM is to ensure the kind of structured negotiating environment that domestic bankruptcy regimes provide at the national level, and in other

words guarantee the protection of collective interests besides “cramming down” on the property rights of some people, the creditors.

- The contribution of the International Monetary Fund (IMF) should not be taken for granted. It is an organization constituting of 189 countries, mostly working to promote sustainable economic growth and high employment, foster global monetary cooperation, secure financial stability and reduce poverty rates. Its global gratitude, and of course the goals on which it focuses its actions indicate its ability of dealing with the spillover effect of the economic crisis. It should be noted that in 2012, the Fund’s mandate was updated so as to include all macroeconomic and financial sector issues that threaten global stability.¹⁸
- In emerging market and developing economies, governments should focus on investments in education, infrastructure and institutions in order to facilitate absorption of technologies from advanced economies.¹⁹
- All Member states and observers should be recalled to cooperate with international organizations, entities and other relevant stakeholders to support and promote all Basic Principles enshrined in the Resolution A/69/319.

Food for Thought - Questions to be addressed

You don’t know the answers nor the solutions, but you could suggest the way to solve many problems and this is by suggesting either to governments, or the UN, or international agencies, to solve any problem the best way: that is to include those with direct interests in the beneficiaries, as well as the victims of any development issue should be included, should be heard.²⁰

- ✓ Full recognition of the human rights of people living in countries facing the spillover effect of the economic crisis.
- ✓ Review the link between domestic policies and external crisis.
- ✓ Point out the indicators that can predict the emergence of a crisis.

¹⁸ <http://www.imf.org/external/about.htm>.

¹⁹ From the Book “Fiscal Monitor: Policies for Innovation and Growth”, April 2016.

²⁰ Ismid Hadad, Chief Editor, Prisma, Jakarta, 26 March 1985.

- ✓ Justify if and if yes, why the protection of collective interests permits the limitation of the property rights of the creditors.
- ✓ Note the significance of the role of the International Monetary Fund (IMF)²¹, and especially in the restructuring process.
- ✓ What is the exact potential of the work of the Council of Europe when addressing the issue under discussion?
- ✓ Which are the national frameworks on the human rights and the external debt sustainability?
- ✓ Which international organizations, United Nations agencies and Programs would be useful under the scope of dealing with the spillover effect of the economic crisis?
- ✓ Have all Council of Europe's member states signed the European Convention on Human Rights?
- ✓ Has the Resolution A/69/319 of the September 29th, 2015, affected the international community to such an extent that the principles included in it do not need to be recalled and/or expanded?

Conclusion

With the present document we are trying to give you a general idea on the human rights and the external debt sustainability as mentioned in one of the issues that we are going to discuss during the upcoming conference. All ministers are highly encouraged to study the national framework, the international legal frameworks, the block positions and the negative effects following the economic crisis and have an outstanding knowledge of the current situation in their countries as well as of their policies, so as to approach the expected solutions and reach a consensus, which the only way through which the Council can adopt a decision-making recommendation. The issue is undoubtedly multidimensional and all its specific extensions need to be examined. It remains to be seen if the actions of international bodies and states are going to have a positive influence and bear conclusive results. The sub-topics suggested on the present guide must be studied, discussed and hopefully

²¹ <http://www.imf.org/external/index.htm>.

resolved. We totally believe in your willingness and determination to deal with it. All people's rights need to be guaranteed and defended and all people's living standards need to be wholeheartedly improved and respected.

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Further Resources

- Vulnerability for countries with limited access to private financing, Vulnerability of countries with access to market-related financing, External debt sustainability principles <http://g24.org/wp-content/uploads/2014/03/Loser-1.pdf>

- General information on the International Monetary Fund (IMF)
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