Colonialism and debt
How debt is used to exploit and control
Introduction

There is a debt crisis in the global south. At a time when countries urgently need resources to address multiple crises, including the pandemic and the climate emergency, more and more cash is being drained away into the hands of wealthy lenders through debt payments. For many countries, debt payments far outweigh what they are able to invest in healthcare, education and addressing the impacts of the climate crisis. Ordinary people are paying the price.

But these narratives fail to tell the whole story. They erase the role of colonialism in creating global south indebtedness and erase that debt continues to be used by powerful governments, institutions and banks to extract wealth and exert control over global south countries today.

To put it simply, debt is about power. We can see examples of debt being used as a tool against communities and countries all through history, from Thomas Jefferson proposing the use of debt to force Native Americans to sell their land in the nineteenth century\(^1\) to France using debt to colonise Morocco in the early 1900s\(^2\). In this briefing, we explore some of the experiences of formerly colonised countries after independence to demonstrate how debt is a tool used by rich countries and corporations to maintain their power in our global system.

By exploring debt from this perspective, we see how addressing global south debt requires us to think big. Rather than relying on existing colonial and neo-colonial decision makers - like the International Monetary Fund (IMF), G20 and World Bank - we need to work in solidarity with people in the global south. We need to support long-standing struggles to create a more just debt and economic system that prioritises the wellbeing of people and planet.

Father Alex Muyebe, Chairperson of the Zambian Civil Society Debt Alliance

What do we mean by ‘global south’ and ‘global north’?

Rather than referring to geographic locations of countries, the terms ‘global south’ and ‘global north’ refer to the relative power and wealth countries have in the world. Global north countries (such as the UK, US, Canada, Australia, Japan and many European countries) have power and wealth, while global south countries (including many formerly colonised countries in Africa, Latin America, the Middle East and Asia) have less power and wealth on a global scale\(^3\). While these terms are not perfect, and can oversimplify the differences within and between countries as inequality and poverty exist in countries regardless of their overall income levels, they are a useful shorthand in referring to inequalities in the global system \(^4\).
**What is European colonialism?**

European colonialism refers to the period between the 15th and 20th century when European countries such as Britain, Portugal, Spain and France imposed their rule across the Americas, Africa and Asia. During this period, colonial powers devastated Indigenous communities, cultures, lands and resources through exploitation, extraction of natural resources, violence and slavery. They justified their actions with the racist view that they were more civilised than the Black, Indigenous and people of colour they harmed - a white-supremacist logic which still influences our political and economic institutions, systems and structures today.

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**Racism is not only the glue that holds the system together but the material of which it is comprised**

Kehinde Andrews, 2021

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Meanwhile, European nations benefited greatly from the wealth, labour and resources they exploited. This enabled them to develop technologies and skills back home to rapidly grow their industries and economies, while releasing vast volumes of greenhouse gases into the atmosphere and causing the climate crisis we are experiencing now. In “How Europe Under-Developed Africa”, Walter Rodney argued that development in the global north can be directly linked to the wealth and resources colonising countries extracted during this period.

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**All of the countries named as ‘underdeveloped’ in the world are exploited by others; and the underdevelopment with which the world is now preoccupied is a product of capitalist, imperialist and colonialist exploitation**

Walter Rodney, 1972

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While many countries gained independence after decades of struggle and uprising against colonial rule, colonialism is not a thing of the past. Our global system is still organised along racist, colonial lines where rich countries continue to dominate decision making spaces and plunder wealth from poorer countries in the global south. Debt is just one of many tools used to maintain these structures.

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**Debt’s origins come from colonialism’s origins. Those who lend us money are those who colonised us. They are the same ones who used to manage our states and economies. These are the colonisers who indebted Africa**

Thomas Sankara, 1987, then President of Burkina Faso
Debt in the global south from independence to the present day:

Colonial debt – independence at the cost of debt

Former colonial powers owe a debt to the countries they colonised for the exploitation and destruction they caused to both people and planet. This debt remains unpaid and largely unacknowledged.

But it was former colonies who were forced to compensate European rulers after gaining independence, for example by inheriting debt accumulated by colonial powers during their rule or being forced to pay compensation to former colonial rulers for the loss of income resulting from the liberation of enslaved people.

This meant that many countries embarked on independence already saddled with harmful debt owed to their former colonial rulers, undermining their ability to progress and facilitating ongoing European domination.

Haiti

The world’s first Black post-colonial republic, Haiti secured independence in 1804 after a successful slave revolution and military victory over Napoleon’s armies. France allied with other colonial powers to punish Haiti by crushing its economy, in order to prevent the Haitian republic from inspiring other anti-colonial struggles. Under the threat of economic blockade, another military invasion and the reinstitution of slavery, Haiti agreed to pay 150 million gold francs to France to compensate for the loss of income from slavery in return for France recognising Haiti’s independence.

This amounted to five times the annual spending of the French government, a massive amount for a fragile new state, although it was later reduced to 90 million francs - still about $21 billion in today’s terms. Haiti was still repaying the debt over 100 years later until 1947, when it was finally paid off. The debt drained Haiti’s resources for well over a century, decimating investment in education, healthcare and infrastructure, and forcing the country to take on more loans to meet repayments. It is a major factor in the Haitian state’s inability to meet its people’s needs to this day.

Democratic Republic of Congo

In 1885, King Leopold II of Belgium occupied the now Democratic Republic of Congo as his personal possession. He launched a brutal regime of forced labour, plundering of resources and mass murder, killing as many as 15 million people. The colonial authorities, including King Leopold II and later the Belgian state, ran up vast debts in the course of their exploitation of the Congo.

These debts included a $120 million loan from the World Bank, which was primarily used to buy products exported from Belgium. The Congo gained independence in 1960 as Zaire, but was forced to take on the debt accrued by Belgium, paying for the costs of its own past exploitation. This significantly undermined the country’s ability to fund vital services for citizens. Today, the Democratic Republic of Congo is one of the poorest countries in the world, despite its wealth of natural resources.
Economic legacies of colonialism - no choice but to borrow

European powers distorted the economies of colonised countries under their rule. They transformed them into economies based on export commodities such as fossil fuels, metals and cash crops, in order to feed the industrial growth taking place in Europe. Many economies in the global south are still shaped around the export of primary commodities today19.

This weakened their economies making it challenging for governments to provide for citizens and to handle economic shocks, such as the falling price of goods20. At the same time, global south countries were also entering a deeply unequal global economy in which trade, tax and finance rules were shaped in the interests of the global north countries, and facing ongoing political interference from global north powers21. These things together made it almost impossible for newly independent nations to develop, leaving many with little choice but to borrow.

Governments, banks and institutions in the global north, including the US which had now established itself as a global power, were happy to lend, in the guise of supporting growth and poverty reduction in the global south. In reality however, this was another opportunity for global north powers to exert control over former colonies and protect their own interests22.

Pointless projects for profit

There are countless examples of loans provided to countries in the global south for useless projects which were often designed in a way that harmed the borrowing nation and its citizens while benefitting global north lenders. For example, in the 1970s, the US government and Western banks undemocratically loaned the Philippines over $1 billion to build the Bataan Nuclear Power Plant23 despite widespread popular protests against the project going ahead24. The US firm Westinghouse was contracted and paid to build the plant, but it never produced any electricity, and was built on an earthquake fault line at the foot of a volcano. The then Philippines dictator Marcos, his cronies, and Westinghouse financially benefitted from the project, but the Filipino people were left paying hundreds of millions of dollars in loan repayments until 200725.

Lending for political gain

During the Cold War, Western powers and the Soviet Union secured support from global south governments by providing loans. Western powers lent to countries such as Sudan, Liberia and Zaire (now the Democratic Republic of Congo) even though these countries were under oppressive dictatorships at the time, and knowing full well that they were lending to corrupt autocrats who would use the money for their own personal gain, including to oppress citizens under their rule26. In the IMF’s own words, loans to Sudan continued out of “respect for Sudan’s strategic role in the region”27.
Lending into a debt crisis - the global north wins again

From the 1970s onwards, lending to countries in the global south, especially by Western banks, aggressively boomed, with loans to Latin American and African governments increasing fourfold between 1973-79. But in the 1980s, the price of goods crashed, and an increase in interest rates in the US meant that many global south governments could no longer repay their loans. Some had no choice but to default.

This posed a threat to the profits of global north lenders - primarily US and UK banks. The World Bank and IMF stepped in to provide loans so countries would not default and banks would keep getting paid, effectively bailing those banks out despite their reckless lending causing the debt crisis in the first place.

These loans came with conditions. To get a loan, borrowing nations had to implement a series of brutal economic reforms such as cutting government spending, privatisation and trade liberalisation, all based on the idea that free markets and the private sector were the best way to grow the economy and benefit society. Unfortunately, these benefits never materialised. Instead, economies stagnated, poverty and inequality increased, workers’ rights were eroded, and health and education outcomes plummeted. The effects were felt most extremely by marginalised communities, while elites and Western investors reaped massive profits from the reforms.

Access to healthcare in Jamaica

By the mid-1980s Jamaica had a very high level of debt, giving the World Bank and IMF leverage to impose their economic reforms on the country. The impacts were devastating. For example, in the health sector, many hospital wards and clinics were shut, and the cost of healthcare became prohibitively expensive, undermining access for poorer communities.

Global north countries and corporations capitalised on the 1980s debt crisis as yet another way to exert control over global south countries, reaping massive rewards from access to southern markets irrespective of the impact on the people who lived there. Although the IMF says it has moved away from enforcing these types of reforms through loans, the practise continues to this day - 85% of loans provided to global south governments during Covid-19 include plans for similar economic reforms once the pandemic eases.

Who are the World Bank and IMF?

The IMF and World Bank were originally set up in 1944 to create a more stable global economy after World War II. Their creation was largely driven by the US and helped to establish the country as a global power in the post-world war era. Today, the IMF and World Bank remain key global decision-making institutions but continue to be dominated by global north powers who have significantly more power to shape decision making. For example, lower- and middle-income countries make up about 85% of the world’s population, yet collectively have less than 50% of the voting allocation in both institutions.

The IMF and World Bank have been, and continue to be pivotal in promoting the interests of global north powers around the world, including in pushing brutal economic reforms in the global south.
Plundering in the global south for profit in the global north

Global north powers continue to plunder wealth and resources from global south countries in numerous ways, including through debt. Many studies have shown that it is in fact the global south which is financially propping up the global north, not the other way round.

Powerful lenders can also demand that loans be spent in a certain way, often to their own benefit. In 2005, Gail Hurley, a member of Ecuador’s debt audit committee, pointed out that many loans to the country “were to be used exclusively for the purchase of materials from the lender nation, to be assembled in-country by workers from the lender nation, with advice provided by consultants from the lender country, to be transported to Ecuador via transportation companies registered in the lender country, with repayments to be made in the currency of the lender.”

We can see many examples of debt being used to line the pockets of wealthy lenders today:

Profiting from a pandemic

Over the last decade, more and more loans have been made by private lenders such as banks, hedge funds and oil traders, many of which are based in the City of London. They lend at high interest rates and therefore stand to make a substantial profit if they are repaid. Some buy up debt cheaply when countries are struggling to pay, making even more profit if they are then paid in full. When Covid-19 hit, private lenders refused to suspend debt payments so countries in the global south could free up resources to address the pandemic. In 2020, Zambia asked for debt relief, but creditors rejected the request, demanding to be paid back in full. If this happens, some lenders could expect to make up to 250% profit from their original loan.

Charging countries for a crisis they did not create

Global north governments and corporations are overwhelmingly responsible for causing the climate crisis, yet countries in the global south are experiencing the most extreme impacts. The global north owes a debt for the damage it has caused, but it is refusing to pay up. As a result, global south countries are being forced to take on more debt so they can afford to fight the climate crisis. Furthermore, even where global north governments are claiming to give support to global south nations in fighting climate change, it is predominantly provided in the form of loans.

Rather than giving compensation for the damage they have caused, rich lenders are using the climate crisis as yet another opportunity to increase their control over global south economies and line their pockets with debt repayments.

From 1970-2022, global south governments paid a staggering $2.5 trillion in interest payments to creditors, making big profits for lenders.
Change is possible

Global north powers still dominate our global system. Using debt, alongside many other tools, they maintain racist colonial power dynamics by extracting from and exploiting countries in the global south, keeping lower-income countries in poverty while making themselves richer.

Global south countries have been set up to fail and then blamed for not being able to pay back loans, while rich lenders have fixed the game so that they win, no matter what.

Debt took away control from impoverished people, keeping them trapped in subservience, all the time insisting that it is their own fault

Kojo Koram, 2022

The use of debt to exploit and extract can be stopped. People in the global south and North have been calling out debt as a colonial and neo-colonial tool for decades, demanding debt cancellation to address the current crisis, reforms to the system to prevent reckless lending in the future and wider efforts to transform the global system, such as creating truly democratic decision making processes and compensation from the global north to south for the damage they have created.

There are countless examples of struggles and successes we can draw motivation from and stand in solidarity with.

Standing up to the IMF

In 1999, as a condition of an IMF and World Bank loan, the authorities in the Bolivian city of Cochabamba had to sell off the water system to a private company and were prevented from supporting citizens when the price of water inevitably increased. In just a matter of weeks, water prices had skyrocketed by as much as 300%. In response, people in Cochabamba formed the Coordinadora de Defensa del Agua y la Vida (Coalition for the Defence of Water and Life) and took to the streets, shutting down the city with strikes, roadblocks and protests. Despite violent suppression by the Bolivian government, the protests lasted months and eventually resulted in the termination of the private water contract.
Jubilee 2000 - debt cancellation as a stepping stone

Building on decades of debt justice activism in the global south, the Jubilee 2000 campaign aimed to force global north governments and institutions to cancel debt for countries weighed down by unsustainable repayments. Millions of people were mobilised all around the world via protests and petitions. As a result, $130 billion of debt was cancelled for 36 countries in the global south between 2000-2015, freeing up resources which were then invested in health, education and other vital services. However, while Jubilee 2000 was pivotal in securing debt cancellation, it did not force global north decision makers to address inequalities in the system that allowed debt to build up in the first place, meaning debt levels have once again reached harmful levels.

Debt cancellation is a vital stepping stone to achieving debt justice but is not enough on its own - this is why the global debt movement continues to also fight for a more just debt and economic system.

Climate reparations

Reparations refer to a range of different actions that repair historical injustices and their contemporary manifestations. Reparation demands for slavery, colonialism and neo-colonialism have been around for a long-time, including reparation demands for the impacts of the climate crisis.

These demands are gaining traction, with more and more groups around the world calling on wealthy polluting nations to provide climate reparations for the destruction they have caused. This includes but is not limited to providing financial compensation to communities and countries experiencing the most devastating impacts of the climate crisis.

While northern countries still refuse to pay up for the loss and damage they have caused, pressure is growing. The demand for reparations is making its way into official climate decision making spaces through global efforts, and at COP26 last year, Scotland and Wallonia became the first authorities to make financial pledges to fund loss and damage in the global south.
What can you do?

Every one of us can play a role in creating a more just future so that debt no longer holds any power over people's ability to live a healthy, happy life. Here's how you can get involved:

1. Take action with Debt Justice

The Debt Justice website has a range of online tools to help you take action and get involved.

You can also sign up for updates here.

If you've got a little more time, consider joining the Debt Justice Activist Network. The Debt Justice Activist Network is a national community of activists all working towards debt justice. Whether you've done loads of campaigning before or you're completely new to this, if you want to take your activism to the next level the network is the space for you.

Joining the network will give you access to loads of events, political education opportunities, and online resources. Plus, there will be more opportunities to meet and plan with other activists both face to face (when we can) and online. It's a great way to meet people, learn more, and get involved with the fight for debt justice. Join the network here.

2. Read up on the issue

Here's a list of resources you can use:


‘Rich countries drained $152tn from the global South since 1960: Imperialism never ended, it just changed form' article in Aljazeera.


Westenley Alcenat, ‘The Case for Haitian Reparations' - article in Jacobin.

Novara Media, ‘Esther Stanford-Xosei on the Case for Climate Reparations, Climate debt and reparations' - podcast.

3. Hold a discussion group

We'll be launching discussion groups to help you take a deeper dive into the topic of debt and colonialism. If you're a community group, activist network, university class or just a bunch of friends who are interested in learning more, get in touch with info@debtjustice.org.uk and we'll send you all the information as soon as it's available.

4. Follow the work of organisations fighting for a more just debt and economic system

Asia People’s Movement for Debt and Development

African Forum and Network on Debt and Development

Decolonising Economics

European Network on Debt and Development

Latin American Network for Economic and Social Justice
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Debt’s origins come from colonialism’s origins. Those who lend us money are those who colonized us. They are the same ones who used to manage our states and economies. These are the colonizers who indebted Africa.

Thomas Sankara, 1987