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A COHERENT FRAMEWORK FOR SOVEREIGN DEBT AND ECONOMIC TRANSFORMATION: TOWARDS GLOBAL SOUTH DEBTORS' COALITION

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Global Institute for Sustainable Prosperity

what next?

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ACRONYMS AND ABBREVIATIONS

AAMF	Alliance for African Multilateral Financial Institutions / Africa Club
AfDB	African Development Bank
ALSF	African Legal Support Facility
CAP	Common Agricultural Policy
CLUB	Common Leveraging Union of Borrowers
DRC	Democratic Republic of the Congo
DSSI	Debt Service Suspension Initiative
FfD4	4th International Conference on Financing for Development
HIPC	Heavily Indebted Poor Country
LIDC	Low-Income Developing Countries
OIF	Organisation Internationale de la Francophonie
OSC	Organisation of Southern Cooperation
RECs	Regional Economic Communities
REE	Rare Earth Element
SDGs	Sustainable Development Goals

EXECUTIVE SUMMARY

This working paper argues that sovereign debt crises in the Global South are not isolated financial mishaps, but rather systemic outcomes of a global economic architecture rooted in colonial legacies and ongoing structural dependency. The analysis shows that the failure of existing sovereign debt restructuring mechanisms — including the G20's Debt Service Suspension Initiative, the Common Framework, and various debt roundtables — lies in their inability to confront the root causes of indebtedness. These mechanisms treat debt as a liquidity issue rather than acknowledging the deeper structural deficiencies of food, energy, and manufacturing value-added deficits that perpetuate dependence, external debt cycles, and underdevelopment.

The paper proposes that debt is best understood as a tool of neocolonial control, enabling the continued extraction of resources and the enforcement of economic roles that keep Global South countries at the bottom of the global value chain. Historical examples such as Haiti's independence debt and the widespread debt burdens in postcolonial Africa, Latin America, and Southeast Asia illustrate how international financial institutions and creditor nations have used debt as leverage to maintain economic control.

The paper advocates for the formation of a Global South Debtors' Coalition to renegotiate debt terms, and to serve more broadly as a platform for collective economic transformation. Drawing lessons from past attempts at debtor coordination, particularly the Cartagena Initiative of the 1980s, the paper identifies the key reasons such initiatives have failed, including, fragmentation among debtors, institutional impermanence, as well as external political and economic pressures. These failures must inform a renewed effort to institutionalise debtor solidarity and pursue collective structural transformation.

At the core of this vision is the need to address three interlocking structural deficiencies: food deficits, energy dependency, and lack of high value-added manufacturing capacity. The paper calls for strategic investments in food sovereignty and agroecology, renewable energy sovereignty to end reliance on imported fossil fuels, and joint regional industrial policies that allow the Global South to capture greater value from its strategic minerals, economies of scale, and the complementarity of its resources and capabilities. This approach would not only alleviate the external debt burden but also serve as a foundation for climate adaptation, social equity, and economic justice.

The paper introduces the concept of the "Bargain of the Century," a proposal for the Global South to use its collective market size, natural resource wealth, and labour force as leverage to demand technology transfers and industrial investment from the major economic players (i.e., China, US, EU, and other OECD countries). This could initiate a new era of South-South and South-North cooperation based on mutual benefit rather than asymmetric power dynamics.

The ongoing South African Presidency of the G20, along with the Fourth International Conference on Financing for Development (FfD4), offers a unique geopolitical window to advance these ideas. The paper concludes by urging Global South countries to seize this moment to advocate for a restructured sovereign debt framework that links debt justice to a broader agenda of systemic transformation, that could pave the way for a new multipolar international economic order rooted in peace, justice, and sustainable prosperity.

1 INTRODUCTION

The continuous failure of existing sovereign debt restructuring mechanisms reveals a key fundamental flaw in the global economic system, namely, that sovereign debt crises are directly connected to structural dependencies that perpetuate the economic subordination of the Global South. The G20's Debt Service Suspension Initiative (DSSI), the G20 Common Framework, and the Sovereign Debt Roundtable have not only failed in their quantitative goals of debt reduction but also fail to address the structural flaws that reproduce debt traps. These mechanisms deliberately overlook the root causes of recurring debt crises.

The debt crisis is not an isolated event but a direct consequence of an economic system designed to keep debtor nations dependent. Countries across the Global South rely on food imports due to agricultural policies shaped by global trade rules that favour industrialised economies. They export raw materials and energy while importing refined and manufactured goods, reinforcing a structural trade imbalance that perpetuates their dependence on external financing. At the core of this imbalance is the inability to break free from these structural traps and build self-sufficient economies. Without a transformation of these underlying conditions, debt relief alone is insufficient.

Debtors' or borrowers' coalitions are needed not just as means of negotiating better debt terms but as a strategic tool to tackle these structural dependencies. By leveraging collective bargaining power, debtor nations can resist predatory lending practices and push for systemic changes in sovereign debt governance. Most importantly, debtors' coordination can serve as a platform for joint economic planning — coordinating investments in food sovereignty, energy independence, and industrial policy to break the cycle of dependence.

This working paper examines the historical and structural context of sovereign debt, illustrating how trade imbalances and external dependencies create conditions for perpetual debt accumulation. It then explores past and current debtor coordination efforts, such as the Cartagena Initiative, and discusses lessons for future collective action. Based on that, it outlines a vision for such coalitions, explaining how debtor states can move beyond defensive debt negotiations to collective action and proactive economic transformation. Finally, it discusses opportunities for the South African G20 Presidency to advocate for this vision on the debt crisis and to advance strategies among developing country allies to push for the constitution of effective debtors' coalitions that link debt relief with a long-term vision that overcomes structural barriers. The idea of a Global South Debtors' Coalition offers a pathway toward economic sovereignty, using debt as the entry point for a broader transformative agenda. In an era where debt crises, economic stagnation, and climate vulnerabilities are converging, collective action is not just desirable — it is imperative.

2 EXTERNAL DEBT AND ITS ROOT CAUSES

The debt burden of Global South countries is a key instrument and symptom of the prolongation of their colonial status as suppliers of raw materials, cash crops, and precarious labour. These countries were not colonised because they were poor, but rather precisely because they were (and continue to be) extremely rich with tremendous economic potential. Debt justifies the continuation of relationships based on different types of violence and exploitation by reframing them in a discourse that turns the victim into the guilty (Graeber 2011). The first time debt was used as a mechanism of post-colonial domination happened in Haiti in the early 19th century. After its independence from France in 1804, and after two decades of international embargo, Haiti was forced to pay an indemnity of 150 million francs (the equivalent of about $21 billion today) to have its independence recognised. In order to pay this "independence debt", French banks themselves granted the loans, unleashing a cycle of debt and neocolonial dependency that limited the country's capacity for economic development and constrained its political institutions (Dubois 2021; Renda 2021). Debt is used by creditors to extract further economic and political concessions. For decades, Haiti devoted a large part of its income to meeting these obligations, and it was only in 1947 that the country managed to pay off this original debt, which was taken over by new bilateral creditors of the Paris Coalition and multilateral institutions such as the IMF and the World Bank (Duval 2017).

In newly independent Latin America, the debt trap imposed on Haiti was followed by the cases of Mexico, Peru, and the countries of the extinct Gran Colombia (present-day Colombia, Venezuela, Ecuador and Panama), that also became indebted to European banks in the first half of the 19th century. This use of debt as a global mechanism of post-colonial control has been extended to the Global South by former colonisers' countries and other actors defending their interests within the contemporary economic architecture, such as multilateral institutions (like the IMF and World Bank) and transnational actors such as banks, insurance companies, and credit rating agencies. In the mid-20th century, Indonesia, Philippines, and Malaysia in Asia, and Ghana, Zambia, and Ivory Coast in Africa led the path to independence in their continents. Nonetheless, they quickly fell into high indebtedness with bilateral lenders such as the U.S., U.K., France, and multilateral institutions such as the IMF and the World Bank.

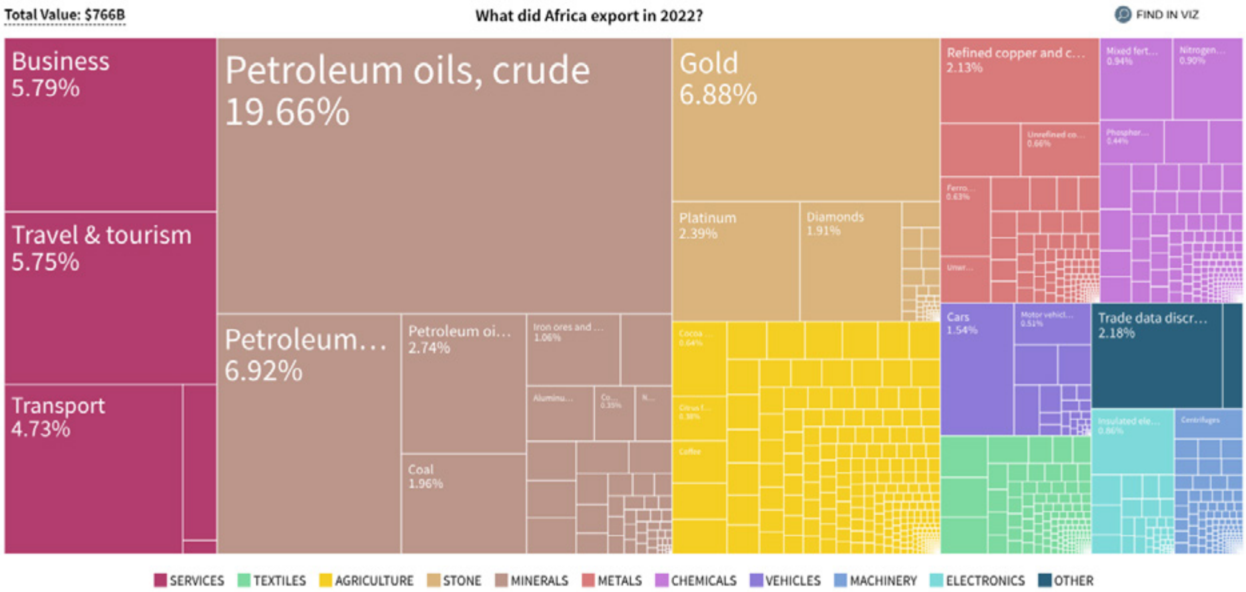
The historical legacy of colonisation left Global South countries with economies heavily reliant on primary commodity exports vulnerable to external shocks. Colonial-era policies disrupted local economies and created dependencies that persist. Dependencies are enhanced today by the current economic architecture that includes indebtedness as a fundamental tool. Global South countries remain 1) the source of cheap and abundant raw materials for the industrialised world; 2) large consumers of finished goods and technology from the industrialised world; and 3) the place where obsolete technologies and assembly line manufacturing is outsourced under the guise of trade, development, cooperation, and job creation; when in reality this locks these countries at the bottom of the global value chain.

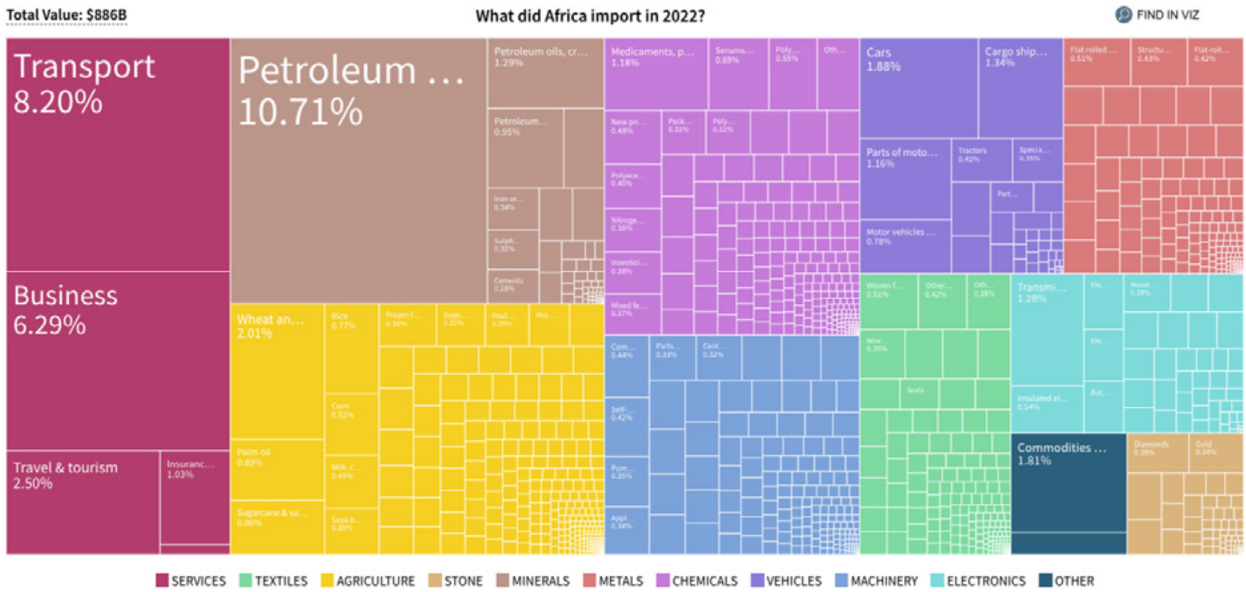
Post-independence efforts to industrialise and reduce commodity dependence faced resistance by world powers through debt traps and structural adjustment programs (Jauch 1999; Sylla 2018). For instance, the nationalisation of the Mexican oil industry in 1938 by the government of President Lázaro Cárdenas resulted in significant challenges for the country. It led to disputes with the expropriated U.S. and British companies, and made it difficult for Mexico to access international financing due to creditors' boycott (Cárdenas 1996; Philip 1982). During the 1950s and 1960s, Latin America's industrialisation and import substitution policies became heavily dependent on foreign debt. While these decisions initially provided a boost to their economies, they quickly led to increased financial and political dependence, creating the conditions for the crisis of the 1980s (Cardoso and Faletto 1979). The crisis reached its zenith in the 1970s, when U.S. banks channeled "petrodollars" into the region (Ffrench-Davis and Griffith-Jones 1995).

There are three fundamental structural economic deficiencies that create and perpetuate external debt in the Global South: energy deficits, food deficits, and manufacturing value-added deficits. Figures 1 and 2 show these in a comparison between exports and imports of Africa and South America. Africa's total exports in 2021 amounted to USD 692 billion; whereas the continent's imports reached USD 791 billion. South America's total exports in 2021 amounted to USD 735 billion, whereas the continent's imports reached USD 698 billion, dominated by cash crop exports, crude oil, and minerals. In both cases, exports are dominated by cash crops, crude oil, and minerals, while imports are complex products with high value-added content. The

FIGURE 1

Africa's Exports and Imports in 2022 (in USD)





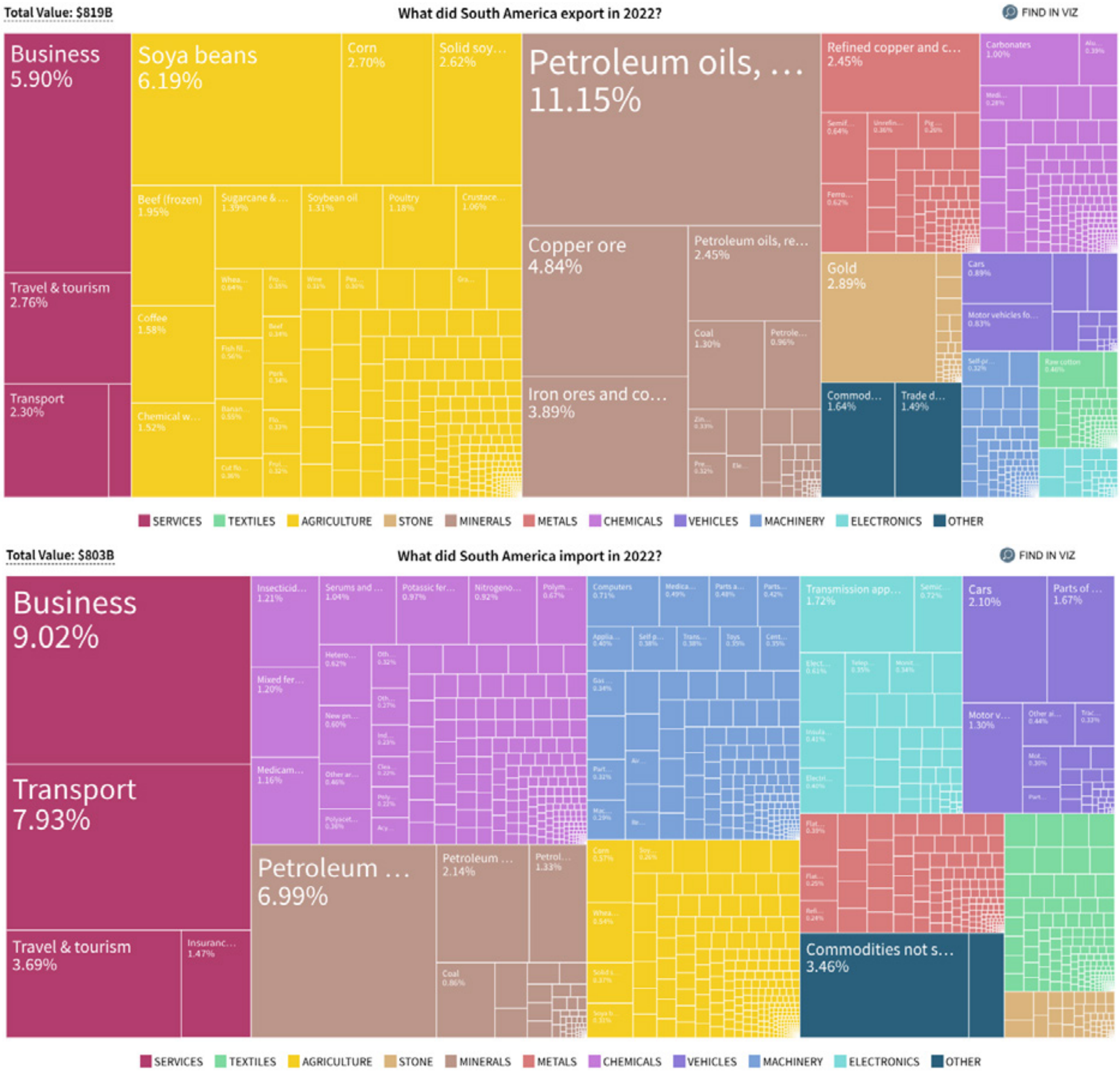
View the interactive data visualisations at the source: Atlas of Economic Complexity, Harvard University

discrepancy between imports and exports creates a structural trade deficit that weakens the value of local currencies and leads to unsustainable external debt accumulation.

The first deficiency is related to energy. African countries in these regions continue to produce oil and minerals, while importing refined fuels and industrialised goods that use those minerals. For example, oil exporters in Africa, like Nigeria and Angola, import more than 80% of their fuel from international markets. By design and not by accident, these countries have always been denied access to technology for prospecting, drilling, and refining, as well as the access to renewable energy technology. These deliberate barriers include high capital costs, foreign currency constraints, intellectual property restrictions, and foreign control over energy markets, which ensure that African and Global South countries remain dependent on external suppliers and unable to fully industrialise their own energy sectors (Sokona et al. 2023; Policy Center for the New South 2024; Africa Sustainability Matters 2025).

FIGURE 2

South America's Exports and Imports in 2022 (in USD)



View the interactive data visualisations at the source: *Atlas of Economic Complexity, Harvard University*

Second, when it comes to food deficits, Africa today imports 85% of its food, when less than a hundred years ago the continent was the breadbasket for colonial powers. The rules of international trade, that allow, for example, agricultural subsidies in the Global North, have assured this deficit to persist. As soon as the African continent started to gain independence in the 1950s, European leaders met for the Treaty of Rome and essentially acknowledged that Europe had a food security problem: it was too dependent on the colonies that were becoming independent. Thus, Europe needed to introduce its own food sovereignty[1] program, which came into effect in 1962 when the Common Agricultural Policy (CAP) was launched and remains a foundational bloc of the European Union to this day. CAP

1. We advocate for the concept of food sovereignty defined as "the right of people to healthy and culturally appropriate food produced through ecologically sound and sustainable methods, and their right to define their own food and agriculture systems" (La Via Campesina, 2007). This concept emphasises the empowerment of local communities to manage their food systems, prioritising sustainable agricultural practices, and ensuring that food production aligns with cultural traditions and ecological principles. This notion is different to commonly used food security that only aims at ensuring that a group of people have enough food and it does not consider who controls the food system or how food is produced.

provides heavy agricultural subsidies to European farmers to produce core crops like wheat and corn. This was explicitly done to ensure food sovereignty in Europe, while simultaneously destroying competition in Africa, thus making Africa food dependent as well. Other than Europe, the U.S., Canada, Australia, Japan and the former Soviet Union – which is why Russia and Ukraine still dominate the grain industry – have protected their agricultural industries and forced the Global South, Africa in particular, to give up producing wheat, corn, barley and other core crops that are needed for food security because producers in the Global South couldn't compete with the cheaper (subsidised) crops imported from the Global North. Instead, Africa has been forced to produce cash crops and supplementary agricultural products for export.

South America's agricultural production is largely destined for international markets. For example, Brazil is now the largest producer of sugarcane, soy, coffee, and oranges. In 2020, with a production of 130 million tons of soybeans, Brazil met 50% of the world's supply. Other countries like Argentina, Chile, and Colombia have also turned their agriculture production largely to exports that meet global demand.

Cash crops produced to meet the demand from consumers in the Global North require the use of non-native seeds that are not acclimated to the local environment and often require excessive amounts of scarce water resources, exacerbating water scarcity in already arid regions (Rockström et al. 2010). This agricultural model is heavily dependent on the importation of synthetic fertilisers and chemical pesticides, which not only increase production costs but also contribute to soil degradation and biodiversity loss (Altieri and Nicholls 2017). Over extended periods, these intrusive practices strip the soil of essential nutrients, lead to reduced agricultural productivity, and reinforce a cycle of dependency on stronger fertilisers and pesticides, that are often imported under unfavourable trade conditions (Shiva 2016). Additionally, many farmers are locked into contracts with multinational agribusinesses that impose strict requirements on seed usage, further limiting their ability to transition to sustainable agricultural models that prioritise food sovereignty (Sokona et al. 2023). This extractive agricultural system perpetuates structural inequalities in global trade, leaving farmers in the Global South vulnerable to economic and environmental instability.

Finally, when it comes to the manufacturing value-added deficits, the only manufacturing Global South countries are allowed to have is the kind where you have to import everything: the machines, the fuel to power the factories, the components to assemble with low-cost labour, and even the packaging. The manufacturing model imposed on the South is one that exports low value-added materials and imports high value-added content. A country that is trapped into this model can substantially increase its exports but will always be locked at the bottom of the global value chain.

These three fundamental deficits – food, energy and manufacturing – constitute a structural trade deficit that increases with time. This deficit needs to be financed by foreign currency that (with weaker currencies relative to the U.S dollar and other currencies) come at an increasing cost. The widespread issuance of debt in foreign currencies — particularly U.S. dollars — constrains fiscal sovereignty and fuels dependency cycles. Developing countries are experiencing a mounting external debt burden, which reached a record US$ 11.4 trillion in 2023 – nearly four times higher than two decades ago and equivalent to 99% of their export earnings (UNCTAD 2025). This exposes countries to exchange rate risk and amplifies the effects of interest rate hikes in core economies. As the lenders tighten their monetary policy, developing countries face rising debt service burdens, macroeconomic fragility, capital outflows, and currency depreciation that often lead to self-reinforcing debt cycles (Gabor 2021; Corredera 2024). Debt denominated in foreign currencies implies importing inflation in the most sensitive areas of economic development and independence, which creates the risk of social unrest and weakens democratic institutions. When central banks try to defend the value of the exchange rate, they promptly do so by borrowing more dollars and accelerating the debt trap (Sokona et al. 2023). More debt payments become prioritised over any economic activity that can structurally help escape the debt trap. That leads to more extractive, faster acceleration of the same colonial traps that these Global South countries are already in.

These structural constraints have historically been compounded not only by economic and legal asymmetries, but also by the discursive frameworks that have legitimised them. Creditors have long relied on a "moral economy of debt" where repayment is framed as a matter of national honour and moral discipline (Corredera 2024). This obscures the coercive and often illegitimate origins of many debts and serves to delegitimise debtor claims for cancellation or restructuring. Such narratives persist nowadays, where countries are expected to prioritise creditor payments even at the expense of transformative investments.

3 LESSONS FROM FAILED DEBTORS' COALITIONS AND SIMILAR INITIATIVES

Bilateral, multilateral, and private creditors have always imposed and enforced less favourable loan agreements and conditionalities on sovereign borrowers. Sovereign debt "relief" and restructuring has historically been on the basis of highly unequal negotiations because of their one-sided nature in favour of creditors. Creditors have consolidated their power through permanent institutional structures that protect their interest, such as the Paris Club of bilateral OECD creditors and the London Club of private creditors. The World Bank and the IMF also serve the interests of the countries of the Global North, who are their largest shareholders. In other words, creditors operate as a united front against individual sovereign borrowers who have very little bargaining power, especially during periods of debt distress. Global debt governance requires indebted Global South countries to counterbalance this historical coordination of creditors in the Paris and London Clubs. A more balanced and resilient global financial system should foster collaboration among debtor nations in a way that they can share experiences, insights on technical and political challenges, emerging instruments (like debt swaps) and the development of innovative strategies. Debtor coordination can promote fair rules, enhance technical capacities of indebted countries, and reduce the dependence on support coming from creditors themselves. This type of coordination, under the form of clubs or similar structures, can also be beneficial for broader political cooperation and collective action.

Although coordination among debtor countries has been significantly impeded, some initiatives yielded interesting lessons. The Cartagena Initiative of the 1980s represents the most ambitious and significant attempt by debtor nations to coordinate in Latin America. The lessons from this historic initiative continue to resonate, shaping contemporary discussions around debt restructuring through collective action. This section explores the history, achievements, and limitations of the Cartagena Initiative, and also looks at recent efforts to address the challenges to coordinated sovereign debt negotiations in the Global South.

3.1. Lessons from the Cartagena Initiative

The Cartagena Initiative was the strongest effort to create a space for debtors' coordination. It was a response by Latin American governments to the debt crisis of the late 1970s and early 1980s (Betancur 1984; Navarrete 1985; Roett 1985; O'Brien 1986; Stallings 1990; Felix 1990). By 1982, Latin America's external debt had skyrocketed to USD 327 billion, with Mexico alone owing USD

80 billion.[2] Mexico's default on its debt obligations in August 1982, signaled the beginning of a regional crisis (Roett 1985). This mounting crisis prompted Latin American governments to consider collective action, with an initial presidential gathering in January 1984 in Quito, Ecuador, to discuss strategies to confront the escalating debt crisis. A follow-up ministerial meeting took place in June 1984 in Cartagena de Indias, Colombia. Eleven foreign ministers representing the most indebted countries[3] met to formulate a unified approach to negotiating with creditors, which was presented in a joint declaration (Neagle 1987; Crisorio 2013; Bohoslavsky and Cantamutto 2024).[4] Four additional meetings devoted to the subject, between September 1984 and April 1986, were held after the signing of the Cartagena declaration.

The Cartagena process sought to establish a united front of Latin American debtor nations to negotiate with their creditors, that were mostly large U.S. commercial banks that held much of the region's debt (Betancur 1984). The participating governments wanted to leverage their collective bargaining power to push for debt rescheduling and restructuring that would alleviate the severe economic pressures they faced. The Cartagena Consensus did not create a single binding negotiating body. Instead it called for a framework for coordinated action among debtor states by setting out general guidelines for individual negotiations with creditors. It proposed a consultation and follow-up mechanism to enable the exchange of technical information. It also called for a political dialogue with creditor countries, aimed to secure fairer and development-oriented restructuring terms (Bohoslavsky and Cantamutto 2024).

The potential emergence of a debtors' cartel triggered swift counteraction from creditors. The U.S. government, in particular, played a key role in undermining the creation of the coalition. Declassified CIA documents contain detailed information on the assessment and actions suggested by the U.S government, included offering bilateral agreements to key countries, like Mexico and Brazil to fracture the unity of the group (CIA 1986). The U.S government also used diplomatic means to highlight the risks of a debtor cartel and used the influence of U.S. commercial banks to apply pressure on debtor nations. Mexico, who had the largest debt burden, was quickly granted rescheduling by its creditors. Brazil, Venezuela, and the Dominican Republic were then offered rescheduling deals by the end of 1984. Chile also negotiated a rescheduling deal over a three-year period (Crisorio 2013). These unilateral agreements effectively fragmented the collective effort, as countries pursued individual relief rather than maintaining a united front. By December 1986, the countries that had originally convened under the Cartagena Initiative stopped discussing debt-related issues and transformed the space into a permanent mechanism for political consultation and coordination, known as the Group of the Eight, which later evolved into the Group of Rio (Navarrete 1985).

The failure of the Cartagena Initiative offers several critical lessons for understanding the dynamics of sovereign debt negotiations and the challenges of forming debtors' coalitions.

3.1.1. Creditors' Coordination vs. Debtors' Fragmentation

One of the key lessons from the Cartagena Initiative is the contrast between the coordination of creditors and the fragmentation of debtors. Creditors acted quickly to undermine the initiative by offering unilateral debt rescheduling agreements to individual countries (Crisorio 2013). This effectively fractured the collective effort when individual nations prioritised short-term relief over long-term collective bargaining. Conversely, the Cartagena Initiative fostered broader coordination among lenders. Banks formed advisory committees to manage negotiations in a unified manner. For future engagement with debtors, these committees allowed banks to agree on terms for syndicated lending, shared strategies, and defined sanctions for any debtor nation that refused to comply with their demands. This strategy ensured that creditors remained cohesive, preventing debtor countries from exploiting differences between individual banks (Bohoslavsky and Cantamutto 2024; Roett 1985).

2. In 2023 dollars (using U.S. CPI data, where USD 1 in 1982 is roughly equivalent to USD 3.16 in 2023), total Latin American debt would be comparable to USD 1.03 trillion today, while Mexico's debt corresponds to USD 253 billion.
3. Argentina, Bolivia, Brazil, Chile, Colombia, Dominican Republic, Ecuador, Mexico, Peru, Uruguay, and Venezuela
4. The text of the final declaration can be found in: http://www.jstor.org/stable/23396588

3.1.2. Short-Term Gains vs. Long-Term Objectives

The tension between short-term financial relief and long-term economic restructuring is another key lesson from the Cartagena Initiative. Countries like Mexico and Brazil secured temporary relief by negotiating individually with creditors, but this came at the expense of broader reforms that could have been achieved through collective action. As Stallings (1990) points out, this pattern of prioritising immediate stability over systemic reform is a recurring issue in sovereign debt negotiations. The Cartagena experience highlights the importance of maintaining a long-term perspective in borrowing and in debt negotiations, as short-term gains can be privileged by incumbent governments for political reasons or quick economic benefits (Callaghy 2010). The lack of a comprehensive support strategy that effectively counterbalances the costs of retaliation is a key consideration for these types of initiatives.

3.1.3. The Role of Politics and Bureaucracy

The fate of the Cartagena Initiative impresses the distinct difference between political discourse and action. Political commitment is essential for the success of any collective action but needs to be followed by concrete actions. Countries like Argentina, Brazil and Ecuador, while initially supportive of the Initiative, shifted toward unilateral debt negotiations given internal political pressures and their evolution (Roett 1989). Bohoslavsky and Cantamutto (2024) explain that the governments of Argentina, Mexico, and Brazil had strong incentives to support collective action against hegemonic powers during the debt crisis. However, these politico-ideological positions did not translate to concrete actions to advance a united front. In the case of Ecuador, its original championing of the initiative was surprising considering that its economic policy followed clear neoliberal policies (Oleas-Montalvo 2024).

Authors like Tussie (2015) claim that the lack of sustained political commitment from key countries undermined the potential for collective bargaining. Bohoslavsky and Cantamutto (2024) argue that binding commitments, establishing a formal consultation and follow-up mechanism (or a permanent institutional body), can ensure that mutual interests are reinforced over time beyond political transitions and fluctuations. It is also fundamental to agree to and enforce transparency and accountability rules for collective debt negotiations and facilitate a certain level of participation of civil society and independent experts. Ultimately, these institutional frameworks should be embedded into broader integration initiatives that ensure that political leadership is aligned with long-term developmental goals and limit the short-term, fragmented commitments that have historically weakened this type of collective action (Bohoslavsky and Cantamutto 2024; Tussie 2015).

In addition to the direct pressure from creditor banks on the main decision-makers, the historical role of the region's bureaucratic elites should be considered. There is no available data on local bureaucracies intervening in the Cartagena discussions and its fate. However, literature on the Latin American debt crisis of the 1970s-1980s (Kaufman and Stallings 1991) describes how political institutions, such as central banks and finance ministries, were heavily influenced by bureaucratic elites that enforced austerity and market-oriented reforms, under the ideological and programmatic umbrella of the Washington Consensus. Without sustained bureaucratic leadership, borrower coalitions will remain vulnerable to fragmentation. The disciplining role of international capital has continued to constrain policy autonomy in the region and the Global South (Stiglitz 2002) and has even accelerated after the Covid-19 pandemic (Ray et al. 2022). States remain subject to conditionalities imposed by international financial institutions and the demands of global capital markets.

3.1.4. The Limits of Reactive Initiatives

Reactive approaches that focus on short-term relief rather than long-term reform result in the recurrence of debt crises (Callaghy 2002; Crisorio 2013). The Cartagena Initiative was a response to the immediate crisis facing Latin American nations. Nonetheless, it lacked a comprehensive, forward-looking strategy to anticipate retaliation and also address the structural issues underlying the region's debt problems. Debtor nations must adopt proactive strategies that go beyond crisis management and aim to reform the systemic imbalances in the global financial system.

3.2. Recent discussions and initiatives to form debtors' coalitions

The Cartagena Initiative in the 1980s is recognised as the most advanced and ambitious attempt to create a coordination space for debtor countries of the Global South. It is also the most discussed and studied experience. After that attempt, the issue of debtors' coordination has continued to be discussed and raised in international forums. Closely after the Cartagena discussions, at the Conference on Foreign Debt in Latin America and the Caribbean (August 3 1985, in Havana), Fidel Castro called for coordinated action among debtor nations to resist the pressures of foreign debt as a "battle for survival." Shortly before his assassination, Thomas Sankara delivered a powerful call for debtor coordination at the Organisation of African Unity summit (July 29 1987) in Addis Ababa. He urged African nations to form a united front against the repayment of foreign debts and the fundamental way to escape economic subjugation. The possibility of an "Addis Club" failed to materialise due to internal political divisions and the assassination of Sankara shortly after his speech (Mukanganga 2025).

Another significant attempt at borrower coordination in Africa was known as the Committee of 10 (C-10), formed in 2008 by African finance ministers and central bank governors. Originally created to provide a unified African response to the global financial crisis, the C-10 aimed to push for debt reform and economic policy coordination at the G20. However, the group became inactive after 2014, largely due to the absence of sustained leadership and a lack of binding institutional mechanisms (Mukanganga 2025).

These early African experiences mirror the fate of Cartagena, where debtor coordination efforts are fragile, often undermined by shifting political interests, and quick interventions by creditors to undermine collective action by debtors. They also underscore the importance of institutionalising cooperation beyond individual leadership and ensuring that initiatives have legally binding mechanisms to survive political transitions (Bohoslavsky and Cantamutto 2024). Another similarity with the Cartagena experience is the role of external policy influence from the IMF and World Bank bureaucracies on local decision-makers that limited autonomous debt negotiations (Mukanganga 2025).

More recently, leaders of nations in the Global South have referred to debt and the need for collective action in their international speeches. At the World Social Forum in 2005, Venezuelan president Hugo Chávez addressed Latin America's debt situation, calling for coordinated regional resistance to debt repayment and stating that "(w)e cannot continue paying debt at the cost of hunger and poverty. Latin America must unite to challenge these unjust debts." In a speech at the United Nations in 2008, Bolivia's president Evo Morales advocated for collective resistance to foreign debt, saying "The debt is a tool of domination. We, the countries of the South, must unite to free ourselves from this slavery". Former prime minister of Malaysia, Mahathir Mohamad, at the South-South Summit in 2000: "Developing countries must unite in their demands for a fair and just financial system. We cannot allow ourselves to be perpetually indebted while the developed world grows richer at our expense. Collective action is our best strategy".

Between the 1990s and 2000s, there were some attempts to foster coordination for development financing and debt restructuring. These short-lived initiatives included the Heavily Indebted Poor Country (HIPC), Finance Ministers Network, the Commonwealth HIPC Ministers Forum, the Organisation Internationale de la Francophonie (OIF), Low-Income Developing Countries (LIDC) Finance Ministers Network, and the Committee of 10 for Africa (Martin 2004; Gunter 2010; UNCTAD 2015). Most of them focused on political coordination to create joint positions regarding financial architecture reforms or debt restructuring initiatives during periods of economic crisis (Gunter and van der Hoeven 2004). Only two of them, the HIPC and OIF, became spaces for experience sharing to get better conditions of debt relief (UNCTAD 2015). Despite some achievements in terms of immediate debt relief and fostering cross-national dialogue and the exchange of practices, none of them translated into longer-term, permanent coalitions, which could allow borrowers to coordinate actions (Gunter 2010).

In 2020, amidst the Covid-19 pandemic, Ethiopia, Senegal, and South Africa jointly spoke about the risk of defaulting and requested the postponement of their external debt payments. Ethiopian Prime Minister Abiy Ahmed, Senegalese President Macky Sall, and South African President Cyril Ramaphosa presented these concerns at the G20 summit, highlighting the urgent need for debt relief amid unprecedented economic pressures (Naranjo 2020; Reuters 2020). The response to this potential collective default was the G20 Debt Service Suspension Initiative (DSSI) which provided the pause of debt service payments to official bilateral creditors from May 2020 until the end of 2021 and prevented these countries from a joint and coordinated action. Significant private creditors and multilateral lenders were not part of this initiative.

A small intergovernmental organisation created in 2020, the Organisation of Southern Cooperation (OSC)[5], has a project of a Common Leveraging Union of Borrowers (CLUB). This CLUB has been proposed as a way to share experiences, strategies and pool capacities and resources to reduce external debt burdens and secure favorable and sustainable financing through collective negotiation. The by-laws for this club were approved in November 2023 and a first ministerial was held in June 2024. The joint statement of that meeting speaks of an upcoming meeting to discuss a prioritisation of actions (OSC 2024). There is little information on the process of implementing its governance framework and no news of collective negotiations in place.

In 2024, a club-like initiative was created in the continent called the Alliance for African Multilateral Financial Institutions (AAMFI) – also known as the Africa Club. This coalition includes the idea of working on regional debt restructuring strategies. The club was conceived in a very ambitious way despite the fact that its first steps are limited to information exchange among participating entities. However, it has a lot of potential to work towards generating collective actions in the area of indebtedness and other areas. For example, the role of the African Legal Support Facility (ALSF), hosted by the African Development Bank (AfDB), could be enhanced to provide legal and technical assistance in collective debt restructuring and negotiations. The ALSF can be used as a model for pooling legal expertise to help collective debt negotiations (Mukanganga 2025).

4 ADDRESSING STRUCTURAL TRAPS AS PART OF THE DEBT AGENDA

A very successful Global South debt restructuring or even complete debt cancellation will not be sufficient in and of itself to escape the three structural traps of food, energy, and value-added deficits. External debt cycles are symptoms of much deeper structural deficiencies that have been imposed (externally and internally) on developing countries through colonial and post-colonial institutions and via the existing global financial, trade, and investment architecture. Recognising this is fundamental

5. The Organisation of Southern Cooperation (OSC) was created on January 29, 2020. It is currently based in Addis Ababa and includes several mostly from Africa but also from Latin America, the Caribbean, Africa, Asia, the Middle East, and Pacific Island countries. The OSC's primary mandate is to promote inclusive and balanced education across its member states.

for a structural and comprehensive approach that develops strategic interventions for sovereignty, independence, and security. Global South regional industrial policies are needed to leverage the complementarity of collective resources, human capabilities, and market size to leapfrog into high value-added manufacturing. These strategies are indispensable for sufficiency and well-being, beyond the perpetual external debt trap.

A comprehensive multipronged approach to climate, energy, debt, and development are prerequisites to achieve a just transition in the Global South. In this section, we outline the three core strategic investments that would decolonise Global South economies. A successful approach would need to address the root causes of the external debt crisis by strategically investing in food sovereignty and agroecology, renewable energy sovereignty, and regional joint-industrial policies that prioritise manufacturing.

4.1. Food sovereignty and agroecology

The Global South and, notably, Africa should move beyond a simple "Food Security" approach to address hunger, and instead follow a strategy of deeper food systems transformation. This entails adopting a more sustainable agroecology approach aimed at restoring food sovereignty at the national and regional levels. The concept of food security in the colloquial sense of the term is, of course, a desirable outcome. However, the food security approach has traditionally been aligned with, or atleast uncritical of, hegemonic and neocolonial trade and economic patterns that underpin the global corporate food regime that has entrenched the Global South in debt traps, weak agricultural sectors, destroyed ecologies, and increased dependence on the Global North.

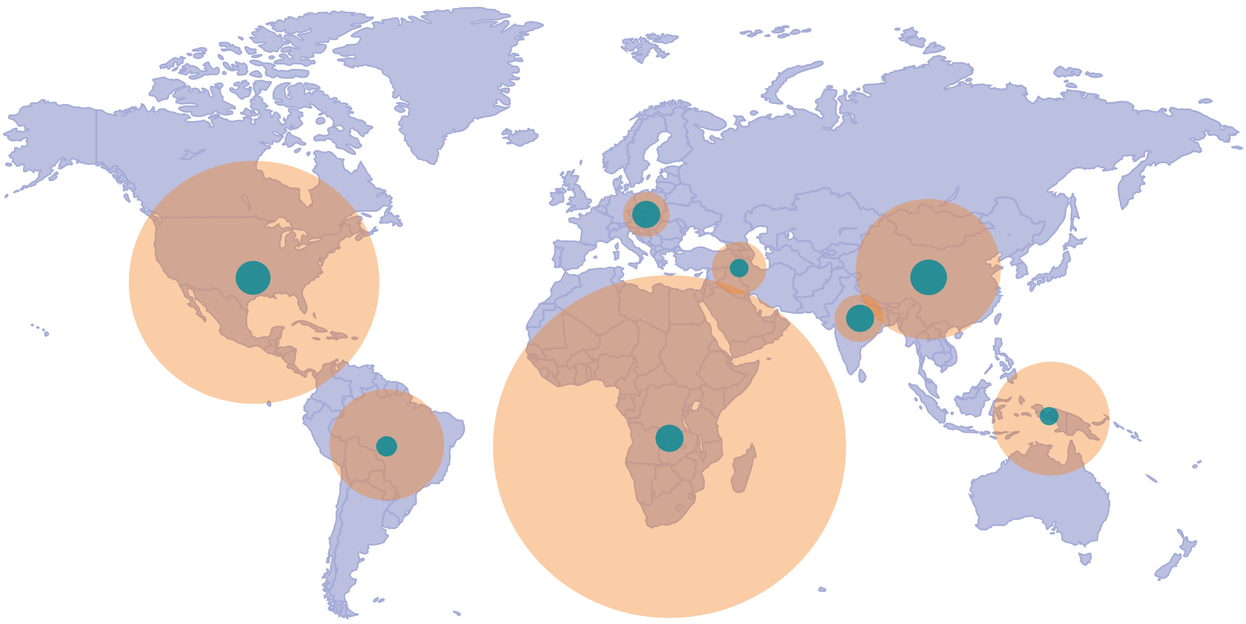
"Food security" means securing nutrition either by producing food locally, or by importing it from abroad, by borrowing money to buy it from abroad, or by receiving it as food aid (which is the worst thing a country can do to its agriculture, because farmers cannot compete with free food). Furthermore, without national food self-sufficiency, food subsidies that are designed to protect the most vulnerable consumers and to help manage the cost of living burden for the working class is actually a band aid solution that is in essence a subsidy to foreign producers, which means it ends up hurting domestic farmers. Therefore, a coherent food sovereignty strategy should prioritise supporting local producers via direct subsidies, technical assistance, financing, logistics, and irrigation, so they can deliver sufficient, affordable food items that would require lower subsidies to the consumers over time.

As an example, one of Ethiopia's biggest export items (after coffee and gold) is cut flowers. In 2023, the country exported approximately USD 262 million worth of cut flowers, representing about 8.08% of its total exports, with the Netherlands receiving 75% of these exports. Massive logistical and energy-intensive infrastructure is needed for flying fresh cut flowers daily to Global North markets, while the country has 16 million people who are dependent on food aid from abroad (Goddard 2024). Trade has not and will not improve Ethiopia's food problems. Ethiopia has fertile land and adequate water resources, and yet it allocates them to produce coffee and flowers for international markets instead of prioritising its own food needs.

A coherent food sovereignty strategy would simultaneously address the importation of basic foods as one of the root causes of external debt distress while simultaneously providing an effective climate adaptation solution. It is a win-win strategy on the climate and development fronts. Furthermore, strategic investments in food sovereignty and agroecology can deliver immediate results that can lead to long-term structural transformation. This process of structural transformation can start in one agricultural season (12 months) and can gradually be accelerated with strategic planning that shifts subsidies and other fiscal incentives from cash-crop exporters to core crop producers. Food deficits are a major source of external debt. Therefore, the priority is to start with strategic investments in food sovereignty, which can be done with domestic currency rather than borrowed dollars from abroad. Every unit of food produced domestically eliminates the need to borrow dollars for food imports, and therefore eliminates a significant portion of external debt service that often lasts for decades (if not in perpetuity). We have to have the courage to give up (or at least gradually reduce) the excessive reliance on export-oriented cash crop agriculture, which is often fuelled by the need to generate dollar revenues to service the external debt.

FIGURE 3

Renewable energy potential



Source: Just Transition Africa 2023

4.2. Renewable energy sovereignty

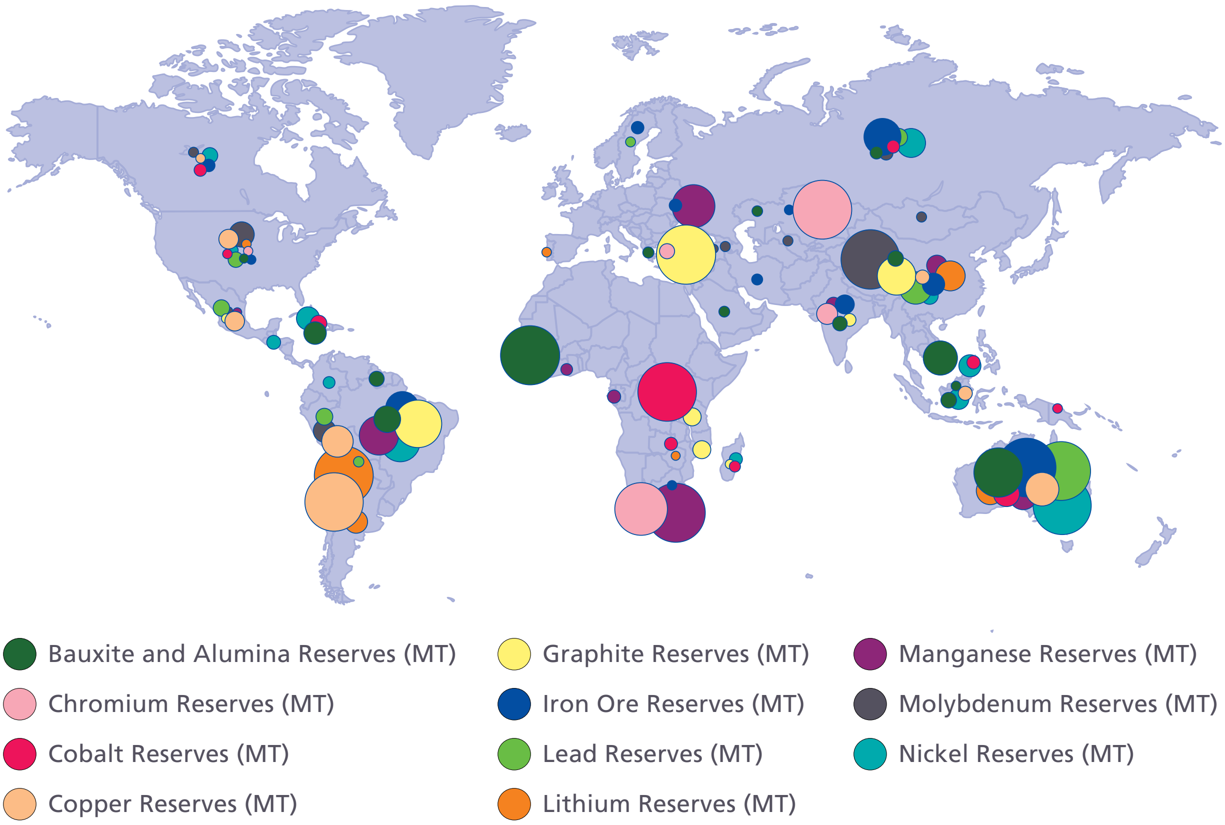
Global South energy deficiencies — marked by limited access to affordable and clean energy — underpins many of its development issues. As of 2022, 600 million people in Africa lacked access to electricity, with the majority residing in sub-Saharan Africa. This represents about 43% of the continent's total population. Projections indicate that, without significant intervention, this number could rise to 645 million by 2030 (IEA 2022). Approximately 17 million people in Latin America and the Caribbean still lack access to electricity (ECLAC 2022). Nearly a billion people in Africa (mostly women and children) are inhaling toxic fumes on a daily basis because of the lack of access to clean cooking infrastructure. More than 100 million people in developing Asia continue to rely on traditional biomass, coal, or kerosene for cooking (IEA 2023). Energy access is a fundamental prerequisite for development, health, education, transportation, production, distribution, and the smooth functioning of a healthy and prosperous society. This extreme energy access deprivation is taking place while countries in the Global South, and notably Africa, have significant renewable energy potential (See Figure 3).

Africa can produce 1 000 times its anticipated energy needs by 2040 with existing renewable energy technologies, and can completely replace all of the continent's fossil fuel exports (IRENA 2021). Unfortunately, Africa attracts less than 2% of global renewable energy financing, and most of its renewable energy infrastructure is destined either to be exported to Europe or to export-oriented industries rather than serving Africa's domestic development and energy needs.

Strategic investments in renewable energy sovereignty implies that every green kilowatt per hour produced eliminates the need for the debt, interest and fees paid for decades to import fossil fuels for energy productions. Pan-African investments (with Global North cooperation) could turn the continent into a global renewable energy superpower and unleash the continent's full potential as a global economic powerhouse. Unfortunately, this potential is perceived by the leading economic blocs as a threat to be managed, since Africa's enhanced competitiveness could disrupt the current economic and geopolitical hierarchy that they currently

FIGURE 4

Strategic minerals reserves



View the interactive data visualisation at the source: *International Institute for Sustainable Development (2018)*

benefit from. In other words, it is not the lack of resources, financing, or technology, but rather an equitable geopolitical settlement that can produce a win-win scenario for Africa and its economic partners in the Global North by ensuring sustainable development, economic diversification, and balanced trade relations instead of perpetuating the imbalances from which only few countries in the Global North and private actors have benefited.

4.3. Regional industrial policies

Real transformative industrialisation cannot happen at the national level because national economies do not have sufficient economies of scale. When a small country attempts to industrialise it needs access to a large consumer market so it can have the economies of scale needed to reduce the cost of production per unit, improve quality of production, enhance efficiency, and allow research and development to maintain its competitiveness. Without a large market of its own, countries in the Global South would end up manufacturing small components for someone else's industrial policy.

Industrial policies can be implemented at the continental level or at the regional level in the Regional Economic Communities (RECs), or at any other regional configuration. These communities can even include other Global South partners from different regions. Needless to say that Global North partners should be welcome to join these initiatives but on different terms that deliver the structural and just transformation. The Global South cannot industrialise by reproducing the exact same hierarchies of the current international system and by recreating the same patterns of socio economic exclusion, inequity, injustice, and unsustainability. In other words, this Global South industrialisation must establish new standards with regards to extractivism so that justice, development, and prosperity is ensured. Global South joint industrial policies must also pre-negotiate the distribution of the value chain within the bloc so as not to lock some countries at the bottom of the value chain while others thrive and dominate the bloc. The very purpose of industrialisation cannot be driven by consumerism, planned obsolescence, and export-oriented growth, but rather by a desire to manufacture the building blocks of development and prosperity in a way that satisfies the material needs, reduces waste, preserves nature, and enhances socio-economic and ecological cohesion.

Global South countries collectively enjoy the complementarity of resources and capabilities, and the economies of scale needed for real transformative industrialisation. Both Africa and Latin America have significant reserves of all the strategic minerals and metals needed for high-tech products, green technologies, and for the green industrialisation that will power the economies of the 21st century (See Figure 4). Approximately 30% of the proven strategic mineral reserves, by volume, are found in sub-Saharan Africa (IMF 2024a). The Democratic Republic of the Congo (DRC) is a significant contributor, accounting for over 70% of global cobalt production and approximately 50% of the world's proven cobalt reserves (IMF 2024b). Ghana, Gabon, and South Africa produce 60% of the manganese used globally (IMF 2024b). The "Lithium Triangle," that includes Argentina, Bolivia, and Chile, has approximately 60% of the world's lithium reserves (Blair 2023). Chile and Peru are major contributors to global copper production, accounting for about 35% of the total output. These two countries also hold approximately 31% of the world's copper reserves (BIPP 2024). Southeast Asia has a strategic importance in the global supply of critical minerals. Indonesia possesses approximately 22% of the world's nickel reserves, while the Philippines holds about 4%, Vietnam and Myanmar each hold approximately 18% of the world's Rare Earth Element (REE) reserves (Phoumin 2024).

In addition to these vast strategic resources, the Global South also has a young labour force and could create millions of good-paying jobs for its youth over the next three decades. The United Nations projects that Africa's youth population (between ages 15-24) will double to over 830 million by 2050 (United Nations 2024). What is lacking for a successful implementation of collective industrial policies is the decision to engage in long-term strategic cooperation and access to manufacturing technology.

Institutions and incentives need to be re-conceptualised and transformed for long-term international campaigns. This requires not only the courage to think beyond one's presidential term and beyond the narrow discourse of national priorities, but it also requires a deeper understanding that a country's national interest cannot be achieved without strategic cooperation. Lessons can be learned from the Global North. A good example of successful cooperative industrial policies is the case of Airbus. When Boeing used to dominate the aircraft manufacturing industry, there was no way for France or Germany to create a viable competitor to Boeing. Airbus had to be created as a Pan-European industrial policy joint venture to compete with Boeing by leveraging the complementarity of resources, capabilities, and the economies of scale needed for a successful venture (Baldwin and Krugman 1988; Pritchard and MacPherson 2004). This collaboration among European nations exemplifies how coordinated efforts and government intervention can foster competitive industries and challenge monopolistic market dominance (Bush and Massa 2019).

Finally, the last missing piece for cooperative industrial policies is access to the life-saving technology needed to manufacture technologies like those related to renewable energy, clean cooking, and clean public transportation. The transfer of technology needs to be a focal point in climate, trade, debt, and development negotiations in all multilateral spaces. It is one of the most important obstacles to the Global South's economic transformation potential. This is where development partners of the Global North bloc can show their commitment to fighting climate change and supporting a just and equitable transition. For instance, the technologies needed to replicate the entire value chain of manufacturing solar panels, wind turbines, high-speed rail, sanitation systems, irrigation systems, or clean cooking infrastructure are readily available in China, Japan, Europe, Canada, Australia, and the United States. A South-South and South-North series of joint-ventures to replicate the entire value chain of each one of these vital industries across a large block of Global South countries. These joint venture types of industrial policies can be designed to be zero-dollar partnerships. Global South countries can pay for the labour and material costs in national currencies while Global North countries contribute in-kind by transferring and sharing the manufacturing technologies needed. Central banks in the participating bloc can manage currency imbalances by creating swap lines and establishing an international clearing system to minimise or eliminate the impact of such imbalances, without imposing unnecessary austerity and other counter-productive measures. This joint industrial policy model can also spur the development of a new financial, investment, trade, and taxation architecture that promotes development, justice, equity, and sustainable prosperity, unlike the current global economic architecture that is by design hierarchical, unequal, undemocratic, extractive, and ecologically unsustainable.

5

THE BARGAIN OF THE CENTURY

It is unlikely that the offer to transfer technology for these joint industrial policies will come from the Global North. It will have to be a Global South bloc offering the first mover opportunity to a country like China to share its technology. China could be offered what we might call "The Bargain of the Century" in which transferring technology to replicate the entire value chain to manufacture and deploy solar technology in the Global South would give China the opportunity to unload its surplus productive capacity, increase its industrial footprint globally, increase its geopolitical weight, solidify its access to critical minerals, and secure privileged access to what could be the largest consumer market on the planet, with higher potential purchasing power once fully developed. If China accepts the Bargain of the Century then the Global South bloc would have the leverage point to compel the entire Global North bloc to join the Bargain of the Century, by transferring technology to manufacture and deploy wind turbine technology, high-speed rail technology, medical technologies, and any technology needed for the building blocks of development and resilience in the Global South. Otherwise, the Global North would risk losing further economic and geopolitical space to China.

The purpose of the Bargain of the Century is not to position China (or any other major country) at the top of the economic and geopolitical hierarchy, but rather to reposition the Global South majority at the center of a new multipolar international economic order of peace, justice and sustainable prosperity. Ultimately, it is the establishment of this new multipolar system that will make the successful creation of a Global South debtors coalition economically and politically unavoidable to finally eliminate the unbalanced, unjust, one-sided creditors-led model that governs the current sovereign debt architecture.

Any attempt to form a debtors or borrower's coalition will face serious political, economic, financial and trade pressures (isolation or even sanctions-like pressure) to leave the coalition. Such coordination would need to be fully prepared to secure the integrity of the coalition. The starting point would be by securing and guaranteeing privileged access to vital supply lines of food, fuel, medicines, and other vital commodities on favourable and concessional terms to the most vulnerable members of the coalition. This may even require a security pact among coalition member states to deter any attempt to destabilise countries within the bloc. That ecosystem of collective self-reliance and solidarity is a geopolitical and economic prerequisite for successful debtors' coordination.

The intensifying competition between major economic blocs – like the US, China and the EU – does not fundamentally alter the economic roles imposed on the Global South majority. In other words, dominant blocks are likely to resist a new international economic order. Therefore, this transformation must be initiated by the Global South, on Global South terms, but this would require the creation of a geopolitical and economic leverage to compel the dominant economic blocs to accept and participate in the establishment of a new multipolar international economic order.

This geopolitical and economic leverage point comes from what we might call "The Bargain of the Century." Consider a Global South coalition of countries that enjoy the advantage of collectively having access to all the strategic minerals needed for green industrial policies, the complementarity of resources and capabilities, and the economies of scale needed for horizontal linkages of value chains for high value added joint industrial policies. What is lacking is access to the manufacturing technology to leapfrog rather than try to "catch up". What follows is a brief sketch of the Bargain of the Century concept:

1. A Global South coalition (without China) co-designs its own joint industrialisation vision with a pre-agreed upon distribution of the value chain, ownership model, distribution of the profit-wage share, protection of frontline mining communities, labour rights, human rights, environmental and biodiversity protections.
2. Each Global South country in the coalition would pay for its labour and material costs in its national currency. Central banks within the coalition would be mandated to address any imbalances and exchange rate pressures via Central Bank swap lines and other coordination mechanisms.
3. This Global South coalition offers to China the Bargain of the Century, which consists of China contributing in-kind as a joint-venture partner by sharing and transferring technology and know-how (including by developing the R&D, technical, vocational, and educational pipelines needed for the key industries that the Global South wants to replicate such as solar PV, wind turbines, geothermal, green transportation, etc.).
4. Why would China agree to this? First, China can potentially double its industrial footprint and geopolitical weight globally within a decade or two. Second, China secures its privileged access to strategic minerals, important resources, and potentially a very large consumer market with rising purchasing power potential. Third, China would relieve some of its internal economic pressures, such as excess productive capacity and trade restrictions by the US and EU on Chinese high-tech products.
5. Once the bargain with China is triggered (it need not be completed), this Global South coalition can then offer the same bargain to countries that have historically refused to share technology and engage in transformative development and industrialisation in the Global South. Country X from the Global North might be offered an opportunity to come in as joint venture partner on similar terms in one of the key industrial priorities for the Global South: renewable energy, green transportation, clean cooking, agricultural equipment, pharmaceutical production, medical equipment, and infrastructure for logistics, transportation, irrigation, sanitation, health, and education. In other words, there are plenty of partnership opportunities in these joint-industrial strategies since all partners contribute in national currencies or in-kind.

As a result, the Bargain of the Century creates an opportunity for all Global South countries to join this coalition. The Bargain of the Century would simultaneously address all the components of the so-called polycrisis: unipolarity, sovereign debt crises, climate crisis, failed SDGs, failed development, failed industrialisation, rising inequality, domestic and regional instability, trade and currency wars, and structural subordination of the Global South.

South Africa could use its G20 leadership to advocate for a reformed global debt framework for stronger coordination for renegotiation, cancellation, and borrowing that addresses the root causes of the debt crisis. The discussions of the 4th International Conference on Financing for Development (FfD4) are an opportunity for South Africa and other G20 Global South countries such as Brazil, India, Indonesia, Mexico and Türkiye, to position these approaches in the outcome documents and mandates that will be defined at the conference. In the preparatory meetings for the conference to be held in Seville in June-July 2025, the G77 countries and civil society actors have strongly criticised the current mechanisms for debt renegotiation and are pushing for a new UN Framework Convention on sovereign debt. This proposal should have a vision and appropriate language that promotes the creation of coordination mechanisms for debtor countries. Similarly, it should set the tone for aligning debt with comprehensive development goals — such as investments in infrastructure, health, education, and renewable energy — that are critical for achieving the sustainable development goals (SDGs).

The South African presidency of the G20 presents a unique opportunity to lead the establishment of a new global economic architecture. The introduction of the African Union as a new member of the G20, and the fact that there are several major Global South countries already in the G20 also present a unique opportunity to coordinate the Global South position on needed structural transformation.

6 CONCLUSION

A Global South-led debtors coalition would need to compel creditors to acknowledge, accept and engage with a debtors' coalition. This in-and-of-itself would be an unimaginable concession of economic and geopolitical power unless the Global South finds a leverage point to compel its Global North partners to accept the need for a more balanced approach to sovereign debt restructuring.

Debt cancellation for developing countries without transforming the current global economic architecture will very quickly lead to the reemergence of external debt burdens. The current system perpetuates the accumulation of external debt that reaffirms a specific designation for Global South economies locked at the bottom of global value chains. It is imperative that the formation of Global South debtors' coalitions be accompanied by a coherent and comprehensive set of strategies for structural transformation that undo the structural economic deficiencies of food, energy, and manufacturing.

South Africa is well positioned to catalyse a landmark initiative — the Bargain of the Century — which would see a bloc of Global South countries (including both G20 and non-G20 members) come together to co-design a comprehensive structural transformation agenda with a set of joint industrial policies of the kind outlined above. The purpose of the Bargain of the Century is to reposition the Global South, which is the global majority in terms of population size, market size, and natural resources, at the center of a new multipolar international economic order of peace, justice, and sustainable prosperity for all.

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