

# Debt Justice and the independence referendum

The UK government is currently owed over £2 billion in debt. Our debtors include many of the world's most vulnerable countries, with much of the debt originating from deals with dictators for arms or 'white elephant' construction projects. This debt is currently held by UK Export Finance, but a portion would be transferred to Scottish Government in the case of Scottish Independence.

By campaigning for debt justice, Jubilee Scotland is calling for a Scotland which is not implicated in unjust or unpayable debts – either by receiving payments for old debts, or creating new debts through irresponsible lending. This vision is achievable both by Scotland remaining a part of the United Kingdom, and by Scotland becoming an independent nation. Whatever the outcome of the referendum, attention must be paid to the role Scotland can play in the cancellation of unjust debts – which continue to have devastating impacts on the life chances of millions of people – and in guaranteeing such debts are no longer created.

In this paper you will find out how Scotland can become a nation of debt justice in both possible scenarios following the referendum on Scottish independence. We have also included responses from both the Yes Scotland and Better Together campaigns, as well as information on how you can help with our campaigns for debt justice.

## CASE STUDY:

### INDONESIA'S DICTATOR DEBTS

Indonesia currently owes the UK around £340m, which is meant to be paid off by 2021. Over three quarters of this debt originate from loans to the regime of General Suharto, used to buy arms including Hawk aircraft and Scorpion tanks. These arms were used for the genocide of over a million alleged 'communists', and for the repression of minorities in East Timor, West Papua and Aceh. Loans from the UK continued during this time, and by 2002 Indonesia owed the UK £633m for military equipment – 74% of the total debt owed.

Following the devastating tsunami in 2004 which left over 200,000 Indonesians dead, the UK agreed to postpone debt repayments due the following year, but refused to reduce the debt or interest rates.

This is one example of the debts owed to the UK, a portion of which would be inherited by Scotland in the case of independence.

## THE TWO SCENARIOS

This document presents two versions of how debt justice can be pursued in Scotland. The first considers the role Scotland can play within the United Kingdom be this under the current devolution settlement or a potential extension of the Scottish Parliament's existing powers. The second focuses on Scotland as an independent country and so looks both at the possible inheritance of UK debt arrangements and how debt justice can be at the forefront of a new international development policy.



# Scotland as part of the United Kingdom

## SCOTLAND WILL PUSH FOR DEBT CANCELLATION:

- ▶ Scotland will put pressure on the UK Government to audit all debts owed to UKEF. If and when an audit takes place, there will be a moratorium on receiving debt payments.
- ▶ The audit will follow example of the creditor debt audit framework developed by the Norwegian Government and recommendations of the Norwegian Coalition for Debt Cancellation (SLUG)'s report *'Exportable? How To Make The Norwegian Debt Audit Transferable To Other Countries'*. This would include:
  - + An independent evaluation of the debts owed to the UK, commissioned by the UK Government;
  - + A focus on all bilateral debts originating from UK Export Finance (formerly the Export Credit Guarantee Agency);
  - + A study of debts owed (using desk and field research), debts being assessed on the basis of the UNCTAD Principles on Promoting Responsible Sovereign Lending and Borrowing, the OECD's guidelines for sustainable lending and borrowing, and the OECD's common approaches.
- ▶ All debts found to unjust, illegitimate, and/or unpayable will be cancelled.

## SCOTLAND WILL CALL FOR AN END TO THE CREATION OF NEW UNJUST AND UNPAYABLE DEBTS

- ▶ Scotland will put pressure on Westminster to redesign UK Export Finance following the guidelines as laid out by Clean Up Britain's Exports (CUBE) manifesto, including:
  - + a prohibitions list of activities which will not be supported because they are not conducive to sustainable development;
  - + transparent management and monitoring systems; and
  - + a duty of care clause to ensure all human rights and environmental impacts are assessed.

## OR

- ▶ If the constitutional settlement following the referendum on Scottish independence includes handing over power to the Scottish Government to create its own export credit agency for Scottish companies within the existing structure of Scottish Development International, this agency will be created following the same principles.
- ▶ This newly created export credit agency would set the standard for such agencies globally.

## SCOTLAND WILL WORK TO CREATE FAIR AND TRANSPARENT DEBT WORKOUT MECHANISMS

- ▶ The Scottish Government to develop and support Scotland as a seat of sovereign debt arbitration with reference to Jubilee Scotland's Sovereign Debt Arbitration Rules, designed to be applied within the framework of the Arbitration (Scotland) Act 2010.
- ▶ Both the Scottish and UK Governments to promote Scotland internationally as a seat of sovereign debt arbitration.
- ▶ Developments in Scotland to be a key component in the European wide Defuse the Debt Crisis campaign looking to create and support new debt workout mechanisms.

## SCOTLAND WILL BE KEY IN THE FIGHT FOR DEBT JUSTICE

- ▶ Strong statements of support for debt justice from Scottish decision makers and civil society will contribute to UK-wide campaigns for debt justice.
- ▶ Debt and trade will be a key component of the international development movement in Scotland.

# Scotland as an independent nation

## SCOTLAND WILL HOLD NO UNJUST OR UNPAYABLE DEBTS:

- ▶ Upon inheriting a people's share of the current debts owed to the UK, the Scottish Government will support and facilitate a full audit on these debts. Whilst this takes place, there will be a moratorium on receiving debt payments.
- ▶ The audit will follow example of the creditor debt audit framework developed by the Norwegian Government and recommendations of the Norwegian Coalition for Debt Cancellation (SLUG)'s report *'Exportable? How To Make The Norwegian Debt Audit Transferable To Other Countries'*. This would include:
  - + An independent evaluation of the debts owed to Scotland, commissioned by the Scottish Government;
  - + A focus on all bilateral debts originating from UK Export Finance (formerly the Export Credit Guarantee Agency);
  - + A study of debts owed (using desk and field research), debts being assessed on the basis of the UNCTAD Principles on Promoting Responsible Sovereign Lending and Borrowing, the OECD's guidelines for sustainable lending and borrowing, and the OECD's common approaches.
- ▶ All debts found to be unjust, illegitimate, and/or unpayable will be cancelled.
- ▶ Scotland will put pressure on the RUK Government to audit all debts owed to UKEF as part of this process.

## SCOTLAND WILL CALL FOR AN END TO THE CREATION OF NEW UNJUST AND UNPAYABLE DEBTS

- ▶ The Scottish Government will create its own export credit agency within the existing structure of Scottish Development International.
- ▶ The export credit agency will be creating following the guidelines as laid out by Clean Up Britain's Exports (CUBE) manifesto, including:

- + a prohibitions list of activities which will not be supported because they are not conducive to sustainable development;
  - + transparent management and monitoring systems; and
  - + a duty of care clause to ensure all human rights and environmental impacts are assessed.
- ▶ Scotland's policies on trade and development will use the UNCTAD Principles as a guide to ensure responsible sovereign lending and borrowing.
  - ▶ This newly created export credit agency would set the standard for such agencies globally.

## SCOTLAND WILL WORK TO CREATE FAIR AND TRANSPARENT DEBT WORKOUT MECHANISMS

- ▶ The Scottish Government will promote Scotland as a seat of sovereign debt arbitration with reference to Jubilee Scotland's Sovereign Debt Arbitration Rules, designed to be applied within the framework of the Arbitration (Scotland) Act 2010.

## SCOTLAND WILL BE KEY IN THE FIGHT FOR DEBT JUSTICE

- ▶ The Scottish Government to promote debt justice on the international stage:
  - + Building on the work taking place in Norway and a number of other European countries, set precedents through conducting debt audits, cancelling debts on the basis of illegitimacy, and creating new structures for responsible lending.
  - + Use its influence in intergovernmental and supranational bodies to make debt justice a priority for all countries.
  - + Enter a group of progressive governments supporting new debt workout mechanisms and work with them to draw increasing attention to issues of debt justice.



**Jubilee Scotland has received cross party cooperation and support in our campaigns for debt justice, and continue to engage with all parties and political bodies.**

A significant step was taken by the Scottish Government on the 26th November 2013 when in the white paper on independence, 'Scotland's Future', debt relief was highlighted as a priority for international development. The document states that:

***"The Scottish Government will give careful consideration to the question of 'unjust' debts; will work to ensure that Scottish export policies do not create new unjust debts; and support moves to establish Scotland as an international centre for debt arbitration."***

Jubilee Scotland congratulates the Government on its recognition of sovereign debt as a key issue for Scotland's international development policy. This commitment must go further, though, by pledging to conduct an audit of all debts inherited by Scotland.

The UK Government refused to offer comment on the content of the White Paper on the issue of unjust debt. In February 2013, however, Vince Cable MP, the Government Minister responsible for UK Export Finance (UKEF) stated that:

***"The Government has no plans to conduct an audit of debts owed to UKEF"***

(Letter from Vince Cable, 15 February 2013).

We will continue to work with both the Scottish and UK Governments to achieve an end to unjust global debt systems which keep people in poverty.

**HOW CAN I HELP?**

You can support our campaigns by signing Jubilee Scotland's Debt Justice Pledge, which calls for Scotland to become a nation of debt justice, regardless of its constitutional status. Individuals, groups and organisations can all sign, and we need as many signatures as possible to send a clear message to both the Scottish and UK Governments. You can also ask your MPs, MSPs, MEPs and local councillors to sign as well, there is more information on how to do this on our website.

Sign the pledge here:

**[www.jubileescotland.org.uk/debtjusticepledge](http://www.jubileescotland.org.uk/debtjusticepledge)**

Or contact us and we can send physical copies to you to distribute:

**0131 225 4321**

**[alys@jubileescotland.org.uk](mailto:alys@jubileescotland.org.uk)**

Twitter: **@jubileescotland**

Facebook: **/Jubileescotland**

**41 George IV Bridge  
Edinburgh  
EH1 1EL**

