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Ukraine

G7: Whether or not to maintain the suspension of Ukrainian debt payments

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Why is the G7 discussing Ukraine's debt?

For more than a year, the leaders of the main powers allied against Russia following its invasion of Ukraine have been debating at the G7 (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States), but they have been unable to reach agreement on how to finance the war and the reconstruction of Ukraine.

It should be noted that as part of the sanctions imposed by NATO members, the Russian Federation's financial assets in Western countries, totaling slightly less than \$300 billion, have been frozen.

Who are Ukraine's creditors?

It ought to be remembered as well that the aid provided by the US and Western European powers is, in the case of the US, in the form of grants of arms or other financial aid, whereas the Europeans provide the arms in the form of grants, and the rest of the financial aid is in the form of loans that Ukraine must repay.

Ukraine's debt is more than \$100 billion.

The financial markets, i.e., major investment funds and banks, including BlackRock and PIMCO, are holders of Ukrainian debt securities. Vulture funds are also on the prowl and have bought Ukrainian debt securities at discount prices. Ukraine's creditors include multilateral organisations such as the World Bank and the International Monetary Fund (IMF). The World Bank and the IMF don't provide grants, and even during the war, the IMF continued to seek debt repayment at a high-interest rate.

Have creditors decided to suspend their demand for repayments from Ukraine?

In July 2022, the Western powers agreed to defer all debt payments for two years. If the suspension of debt payments is not extended in July 2024, Ukraine must resume payments.

As a result, months of negotiations have been undertaken to determine what will transpire after July 2024. The European Union has postponed the date for the resumption of repayments by several years. So, what is at stake is mainly the repayments to private creditors, as well as to countries that are not directly part of the Western alliance or that are even opposed to this Western alliance, in particular China, which is also one of Ukraine's creditors, but also Russia.

It should also be pointed out that the authorities in Kyiv are not asking for the cancellation of the Ukrainian debt. They are simply in favour of continuing the country's indebtedness. Zelensky's neo-liberal government borrowed domestically to fund the war and the resistance to the Russian invasion, and it continued to borrow abroad, in particular from the IMF, and so on.

In 2022, a petition was launched to cancel the debt.

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Social movements and left-wing opposition to the war are calling for the total cancellation of Ukraine's debt to relieve the Ukrainian people of this burden and allow them to resist and rebuild their nation in their interests. A global petition has been circulating since 2022.

Why is this being negotiated within the G7 and not the G20?

The negotiations on financing the war and reconstruction are taking place within the G7 because if they were held within the G20, they would include forces from the global South, particularly the BRICS countries, which include Russia and China, who oppose the West's sanctions policy. Brazil, India and South Africa are also opposed to sanctions. For example, despite being an ally of the United States, India has increased its oil purchases from Russia since the invasion of Ukraine.

What are the disagreements between the G7 members?

There are major disagreements within the G7. The US government claims that it is possible to seize the assets of the Russian Federation, which are primarily located in Europe, specifically Brussels. The United States says: 'Let's take these assets, these financial assets, and put them in a fund to finance the war and reconstruction', while the Europeans, the majority of Europeans so far, in the European Union, say: 'No, if we do that, we will be affecting the immunity of states, and it won't just concern the Russian Federation'. Above all, they are concerned that if the Russian Federation's assets are seized, particularly those in Brussels, powers such as China, the Gulf States, and other countries that invest in Europe will withdraw their financial investments from European banks, because what happens to the Russian Federation could happen to them if sanctions are imposed on them for other reasons in the future. As a result, Europeans, particularly Christine Lagarde, President of the European Central Bank, as well as the Italian, Belgian, French, and German governments, are opposed to touching and outright seizing Russian Federation assets in Brussels due to the consequences for the euro as an international reserve currency and for the major European private banks. This precedent would result in the euro losing its status as a reserve currency or at the very least substantially weakening its role as an international reserve currency. A considerable chunk of the deposits of major powers such as China and the Middle East in private European banks would also be at risk of withdrawal. In this discussion, the British generally agree with Washington, but they are more cautious than politicians on the other side of the Atlantic.

What compromise is the G7 heading for?

We are undoubtedly approaching a point where the G7 will decide not to expropriate Russian assets and thus maintain the freeze on Russian assets, and on the basis of these Russian assets or on the interest provided by these assets, they will create a mechanism to issue debt securities in the name of Ukraine, or, we can assume, in the name of a consortium of countries to lend this money to Ukraine.

In this situation, Russian assets would serve as collateral for the large investment funds and banks that would buy the loan's securities, allowing the money to be lent to Ukraine and substantially increasing Ukrainian debt.

In the trade press, there is talk of a \$30 billion loan.

What would be the position to defend?

In principle, I believe that it should be permissible to seize the assets of an aggressor state, i.e. one that has invaded another's territory or is actively engaged in military aggression against another country. But the question remains:

G7: Whether or not to maintain the suspension of Ukrainian debt payments

who manages the assets, and for what purpose? In today's international situation, it is incredibly hard to envision how a seizure might be managed by social movements, by citizens of the invaded country, so that the use of the funds seized genuinely serves the interests of the people of the attacked country. The seizure of an aggressor country's assets should certainly apply to all aggressor countries, which means that the United States and its allies, who have committed countless aggressions and invasions, should also be subject to this regulation. But this is not the case. For over a century and a half, the United States has seized other states' property on multiple occasions, beginning with the property of states it has attacked or invaded, such as Haiti in 1915, to give only one example.

However, seizing an aggressor country's assets should not be the only conceivable remedy. A fund to finance Ukraine's reconstruction and resistance to aggression could or should be funded by levying a tax on huge private firms that profit from war. The armaments manufacturers of Germany, France, North America, and other nations are profiting greatly from increased military budgets, the supply of arms to Ukraine, and so on. [\[1\]](#)

This applies, for example, to Rheinmetall in Germany, which is reaping enormous profits, as well as to other significant arms companies. At the very least, they should pay a tax comparable to or equal to the increase in their profits, and the proceeds should be transferred to a development fund managed directly by the Ukrainian people.

The assets of the oligarchs profiting from Ukraine's aggression, both Russian and Ukrainian, should be seized. In this way, significant sums may be raised to fund the Ukrainian people's resistance and the country's reconstruction.

It should be noted that levying a tax equal to the additional profits made by arms companies in the context of this war and other wars, in general, would limit these companies' appetite to rejoice in the continuation of the war and contribute to it, as they would not benefit directly from it.

Measures to seize oligarchs' assets, and confiscate and expropriate their property, run directly counter to the sanctity of private property, and as a result, there have been no major seizures since 2022 because Western governments are not inclined to do so, even if they oppose the Russian Federation. Exactly what has been accomplished needs to be assessed, but in any case, it has been extremely limited and nothing has been transferred to a fund controlled by the Ukrainian people. In truth, there has been no specific tax on corporations that have benefited from the war. I mentioned the arms companies, but we can also discuss the massive profits made by gas and oil companies as a result of Russia's invasion of Ukraine. Profits have also increased for grain marketing corporations around the world, including the four big multinationals that control 80% of the global cereal grains trade. They include three American companies and one European company. A special tax on the profits of these companies should have been levied and should be levied, including retroactively, both to finance the needs of all populations and to help the Ukrainian people. We must also continue to demand the cancellation of Ukraine's debt.

None of this is planned by the G7 leaders; thus we must present a clear alternative position in opposition to the G7's agenda of prolonging the war and funding it principally through debt. The G7 member countries intend to take advantage of the situation, and especially the possibility of seizing control of Ukraine's natural resources and privatising Ukrainian public companies such as the gas company and the power production and distribution company. These are public enterprises, and the International Monetary Fund, the World Bank, the governments of Europe, the European Union, the United Kingdom, and the United States all want to see them privatised.

And, of course, we must also fight against the major investment funds and private banks that are profiting from the war by lending money to the powers directly involved in the war and to Ukraine, and who are making a lot of money out of it.

It is also worth noting that several private European banks, including Austria's Raiffaisen, Germany's Deutsche Bank

G7: Whether or not to maintain the suspension of Ukrainian debt payments

and Commerzbank, the Netherlands' ING and Italy's Unicredit and Intesa Sanpaolo, continue to operate in the Russian Federation. And despite the sanctions, they have quadrupled their profits in Russia since the invasion of Ukraine began. [They have just paid €800 million in income tax to the Russian authorities](#), with no action being taken by the European authorities. See the Financial Times revelations dated 28 April 2024: [Western banks in Russia paid €800mn in taxes to Kremlin last year](#).

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[1] Of course, the Russian arms industry is also operating at full speed.