US Repudiation of the Debt Demanded by Spain from Cuba in 1898: What about Greece, Cyprus, Portugal, …

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The USA declared war on Spain in the middle of 1898, and sent their navy and troops to "liberate" Cuba from the Spanish yoke. Spain was defeated and negotiations between the two countries began in Paris in order to reach a peace agreement, finally signed in December 1898. |1|

During these negotiations, the Spanish authorities defended the following position: since the United States had taken their colony, they were obliged to honour Cuba's debts to Spain. Such were the rules of the game. And indeed the rules cited by Spain did constitute common practice in the 19th century. A State which annexed another state must assume its debts.

The United States refused, saying it was not their intention to annex Cuba. In substance, they declared: "We liberated Cuba and gave assistance to independentists who had been fighting you for several years."

The Spanish answered that if Cuba became independent, it must repay the debt, as had all the other Spanish colonies that had become independent during the 19th century.

The United States categorically rejected Spain's demand of payment from Cuba. Finally, Spain signed the peace treaty with the United States and gave up on recovering the debt.

The most common version of the narrative of what took place tends to suggest that the United States rejected Spain's debt claims against Cuba because that debt had served to maintain Cuba and the Cuban people under the Spanish yoke. But when we analyse the content of the negotiations, the explanation is very different. Admittedly, the United States advanced this argument, but it was only one among many others they used to justify their position.

What were the arguments advanced by the United States?

- 1) Spain had issued Spanish securities in Europe with French and British bankers in the name of Cuba. Spain was guarantor of the issuance of these securities and they were backed by revenue from the Cuban customs and other taxes. The majority, if not all, of the bonds issued by Spain in Cuba's name and the wealth they generated remained in Spain.
- 2) Strictly speaking, there was no such thing as a Cuban debt because Cuba, as

a colony, did not have the right to issue securities on its own initiative or in its own name. The island's finances were controlled exclusively by the Spanish government.

- 3) There was no proof that the Spanish bonds secured by Cuba's revenues were actually used for projects that were beneficial to Cuba. Quite to the contrary, the history of Cuba's finances as a colony showed that revenue from the island was absorbed by Spain's national budget. In fact, until 1861, Cuba produced revenues well above the expenditures made by the Cuban government put in place by Spain. The revenue in excess of those expenditures was transferred in large part to Spain. Then, when Spain mounted costly military expeditions in Mexico, in Santo Domingo and against the independentists in Cuba, Cuba's finances began to go into the red. In other words, Cuba had begun to run a budget deficit because Spain was using Cuba's revenues to finance colonial wars both outside Cuba and within Cuba itself. The Spanish military expeditions into Mexico and Santo Domingo used Cuba as their base.

- 4) Based on arguments 1 and 3, the United States' position was that Cuba's debtor status was a fiction since the so-called Cuban debts were in reality Spain's. The United States argued that Spain's budget absorbed the surplus produced by the island while saddling it with loans which in fact served its own interests and not Cuba's.

Frank Martini. Cartographer. – The Department of History, United States Military Academy (CC – Wikimedia)

Only after having used the preceding arguments did the United States add the well-known moral argument: *"From the moral point of view, the proposal to impose these debts upon Cuba is equally untenable. If, as is sometimes asserted, the struggles for Cuban independence have been carried on and supported by a minority of the people of the island, to impose upon the inhabitants as a whole the cost of suppressing the insurrections would be to punish the many for the deeds of the few. If, on the other hand, those struggles have, as the American Commissioners maintain, represented the hopes and aspirations of the body of the Cuban people, to crush the inhabitants by a burden created by Spain in the effort to oppose their independence would be even more unjust.[…] [The instances of state practice adduced by Spain] are conceived to be inapplicable, legally and morally, to the so called 'Cuban debt', the burden of which, imposed upon the people of Cuba without their consent and by force of arms, was one of the principal wrongs for the termination of which the struggles for Cuban independence were undertaken."* |2|

In light of these arguments by the United States, Spain changed its tactics in the negotiations. It proposed that the Cuban debts be submitted for international arbitration in order to determine whatshare had actually been used in Cuba's interest. Spain offered to bear the burden of that share of the debts which had not served Cuba and asked the United States to take responsibility for the other part or transfer it to the new independent Cuban State. The American negotiators telegraphed President McKinley to ask his opinion. He responded by making it clear that the United States would not agree to take on any Cuban debt and would not encourage Cuba to agree to do so.

In conclusion, the United States purely and simply repudiated the debt claimed by Spain from Cuba.

In 1909, after the United States had withdrawn its troops from Cuba, Spain demanded that the "independent" government of Cuba repay a portion of the debt. Unsurprisingly, Cuba refused, arguing that the Treaty of Paris of December 1898, which ended the conflict between Spain and the United States, had cancelled all debts. From that point, Spain was forced to negotiate with her French and British creditors.

Further, it needs to be stressed, on the one hand, that at no time did the United States invite the Cubans to send delegates to participate in the negotiations held in Paris; and on the other hand that the United States made use of the argument relating to the despotic nature of the colonial regime only secondarily. They concentrated on the use that Spain had made of the so-called Cuban loans to demonstrate that it was Spain first and foremost that benefited from them. They also showed that Spain, and not Cuba, was the actual borrower.

I can't resist drawing a parallel with the current situation in Europe. The comparison with the Washington-Madrid-Havana conflict in 1898 is of capital importance if we study the situation of Greece and other countries such as Cyprus or Portugal in the 2010s.

After 2010, many recent studies demonstrate that the amounts Greece is being held responsible for were never transferred to the Greek authorities. They served mainly to repay private foreign banks, in particular French and German ones. Since 2010, credits have been granted to Greece by 14 States of the Eurozone, by the IMF and by the European Stability Mechanism (ESM), which took over from the European Financial Stability Facility (EFSF), because Greece no longer has access to the financial markets (in another context, like Cuba under Spanish domination). Thus the loans are in fact borrowed by third parties and then imposed on Greece under extremely harsh conditions. Less than 10% of the debt amounts imposed on Greece since 2010 have actually transited via Greece's budget, and those sums have been used to finance counter-reforms and privatisations. The borrowers mentioned above get financing from private European banks and then use their credit to repay them without the borrowed amounts ever actually going to the Greek treasury. It can be demonstrated that these loans have been of no benefit to the Greek people. They have not improved the country's economic and financial situation. Quite to the contrary.

It should be added that, initially, the 14 countries of the Eurozone who granted credits to Greece made profits at the country's expense by practising abusive interest rates (between 4 and 5.5%) between 2010 and 2012. The IMF also profited at Greece's expense, as did the ECB. |3|

That Greece is a borrower nation has been a fiction since 2010. That fiction serves the interests of the principal powers of the Eurozone, beginning with Germany and France.

These major powers themselves defend the interests their major corporations, be they banking, industrial (and in particular arms makers) or commercial firms. The major powers have convinced 12 other Eurozone member countries and the IMF to maintain the fiction, with the complicity of the Greek authorities. The European Stability Mechanism (ESM) and the ECB participate in furthering the narrative. Big capital in Greece (banking, commercial – e.g. shipping – etc.) itself profits from the situation.

In the cases of Greece, Cyprus, Portugal, and other countries, there will be no major power like the United States in 1898 ready to intervene to repudiate their debts. However the arguments used by Washington are applicable to many indebted countries, and since there will be no supreme saviour, it is up to the people (of Greece, Cyprus, Portugal and all other peoples) to take the situation in hand and free themselves from the yoke of debt and other mechanisms of extortion and subordination. The international struggle for the abolition of illegitimate debt is more vital than it has ever been.

Translated by Snake Arbusto and Vicki Briault Manus

Notes

|1| The account which follows is based in part on Sarah Ludington, G. Mitu Gulati, Alfred L. Brophy, "Applied Legal History: Demystifying the Doctrine of Odious Debts," 2009, http://scholarship.law.duke.edu/cgi.... Their explanation differs from the one given by Alexander Sack.

|2| Source of citation: J. B. Moore, Digest of International Law, vol. I, pp. 358-359.

|3| See details in Chapter 3 of the Preliminary Report of the Greek Debt Truth Commission,http://www.cadtm.org/Preliminary-Re.... The IMF demanded an interest rate of around 5% of Greece. The ECB had Greece repay it in securities at 100% of their face value when it had purchased them at 60 or 70% of their value on the secondary market. And it demanded a rate of over 6% on those securities while at the same time it was lending to the private banks of the Euro Zone at 0%!

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https://en.wikipedia.org/wiki/%C3%89ric_Toussaint

He co-authored World debt figures 2015 with Pierre Gottiniaux, Daniel Munevar and Antonio Sanabria (2015); and with Damien Millet Debt, the IMF, and the World Bank: Sixty Questions, Sixty Answers, Monthly Review Books, New York, 2010. Since the 4th April 2015 he is the scientific coordinator of the Greek Truth Commission on Public Debt.

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