



CORONAVIRUS CRISIS DEBTS: A CATALYST FOR GEOPOLITICAL CHANGE

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The coronavirus pandemic is forcing Western states to increase their national debt by a considerable margin. At the same time, Russia is taking advantage of the opportunity to buy up American financial obligations. The geopolitical consequences will not be anodyne. If one state owns the majority of another's debt, the latter is geopolitically weakened in three successive ways. First, its foreign policy can be manipulated; second, its military forays can be diverted; and, third, its territories can be carved up.

A Managed Foreign Policy

When one country owns another's national debt, the most likely consequence is that the latter will find its foreign policy managed. Haiti's debts to France have enabled the former colonial mainland to exert an abiding influence over the rebellious sugar island. In 1802, Napoleon tried to militarily re-establish slavery by deploying a 40,000-strong expeditionary force to what was then Saint-Domingue. The troops ultimately bound the local population together in opposition and were defeated on 18 November 1803. The Republic of Haiti was born on 1 January 1804, but it was not until 1825 that it won France's recognition. Haitian representatives wanted to forestall any further military forays which might bring the island back under French control, so they offered to pay compensation to colonists who had lost their estates. Haiti's debts would weigh heavily on its foreign policy for years to come. In 1825, Haiti agreed to pay France 150 million gold francs. This considerable sum was due over a five-year period. Haiti paid its first annual instalment, but it then became clear that its internal disorder would prevent it from covering the remaining balance. As a result of this debt, France was, for many years, able to influence Haiti, whose 19th century sugar-based economy would be shaped to its former mother-country's ends. France's influence only began to wane in 1947.

Loans can sometimes be accompanied by a private promise of military aid if a country comes under threat from a third party. The tensions that had been mounting between Germany and France from the second half of the 19th century encouraged the latter to seek a pact with Russia. In 1892, the Russian government used Sergei Witte as its intermediary to take out loans with France. The French became Russia's main

creditor, but they also signed a secret diplomatic and military agreement in which Russia promised to ally with them should Germany launch an attack. This top-secret military accord was signed on 17 August 1892 by French Vice-Chief of Defence Staff General de Boisdeffre and his Russian counterpart, General Obruchev, after a series of negotiations largely held in St Petersburg. It stipulated that both countries would mobilise should one of the Triple Alliance strike. When Russia partially mobilised against Austria-Hungary on 29 July 1914 and then entered into war against Germany on 30 July 1914, the secret agreement came into effect and France mobilised on 31 July. To defend Paris, Russian troops supported their French counterparts when taxis were used to transport soldiers to the Battle of the Marne.

Creditors are often tempted to dismantle their debtors' colonial empires. The Netherlands used some of the financial aid it received through the Marshall Plan to reconquer the Dutch East Indies. Dutch forces managed to take control of the cities of Java and Sumatra but not their surrounding countryside, and republican troops attacked the Netherlands' positions on 1 March 1949. The United States supported Ahmed Sukarno, threatening to withdraw the Netherlands from the Marshall Plan if it did not agree to grant its colonial possessions independence. American aid destined for the Dutch East Indies was cancelled. After Japan's defeat, the United States had claimed absolute supremacy over the Pacific. On 27 December 1949, the Netherlands folded at the Dutch-Indonesian Round Table Conference at the Hague. The United States, however, did not stop there. It then forced the Dutch to provide troops for the Korean War, threatening to withdraw aid if they did not comply.

Becoming a Creditor's Mercenary

Once a creditor country has got its debtor's foreign policy under control, it will be tempted to manipulate the latter's armies to its advantage. Rome became expert at utilising its indebted peoples to ensure its own security without threatening its trade, economy or internal politics. This was the case with Germania and its neighbouring populations, where indebted and competing leaders were manipulated to Rome's ends. After Rome's calamitous defeat during the Battle of the Teutoburg Forest in the year 14 CE, the Romans formed client states in Germania. In fact, several Germanic leaders submitted to Rome as they could not keep order within their own tribes and were concerned about the threat of invasion from various quarters. They invited the Roman Empire to take up a presence in their villages, so long as their own power was maintained. The client-king was therefore indebted to Rome, financially and otherwise. Starting in the year 16 CE, Rome made use of the rivalry between the Cherusci and Marcomanni. Having seized the opportunity to lend to these competing tribes, Rome attempted to manipulate them into conflict with each other as a means of weakening them both. As such, Rome's client-kings fell in line with imperial aims. Their armies, having become partially mercenary in nature, acted under Roman command.

After being rescued from financial ruin when the USSR bought up its debt, Cuba had, in turn, to help its creditor by intervening militarily in Angola. On 6 July 1960, the Cuban state signed into law the confiscation of all North American businesses, in retaliation for contraventions to the Sugar Act. As a result, the United States had to buy 3 million tonnes of Cuban sugar for double the global market price. The USSR rescued

Cuba by guaranteeing to buy its main export. However, in 1975, Moscow asked Cuba to intervene in Angola to support its ruling MPLA communist party. 36,000 Cuban soldiers were deployed and the Soviet Union bore all the costs. It was an immense undertaking, involving the creation of an air bridge between Cuba and Angola. The Cubans emerged victorious. After its economy was saved by the USSR, Cuba was in Moscow's debt and its foreign policy bore an extensive Russian influence from there on in.

After 1990, the United States made use of its role as a lender to Poland to bend the Eastern European country's foreign policy to its own will. Poland quickly agreed to stand with its creditor in the Afghanistan War of 2001, and in Iraq in 2003. Many analysts have claimed that this support was due to the thirteenth of Woodrow Wilson's fourteen-point post-war peace settlement, or the United States' influential Polish diaspora. From this perspective, Poland's involvement emerged in large part out of an ambition to demonstrate allegiance to its new ally. Yet questions still remain. Why did Poland take part in two successive wars, the second of which was not sanctioned by the United Nations? It could have been barred from entering the European Union, given that France and Germany refused to get involved in the Iraq War. All in all, more than 15,000 Polish soldiers fought under American control. 2,600 soldiers were on the ground in 2003, and 900 when the allied forces withdrew in 2008. There were 22 deaths. During the Afghanistan War, Poland deployed between 2,000 and 2,500 soldiers. A valuable American ally, Poland approved George Bush's plans to construct a missile defence system in Europe in order to strengthen the United States' military supremacy.

Shattered Territories

One final way in which indebted countries can relieve their financial pressure is to agree to their own dismantlement as a means of benefiting their creditor countries. The money the Republic of Genoa owed to France enabled Louis XV to annex Corsica. As Louis XV's foreign secretary, Choiseul aimed to occupy strategic positions in the Mediterranean as a counter to rising British power and to ensure France's southern border – in which Corsica played an important role – would not be encircled. The island was also the most politically vulnerable part of the Mediterranean and the British already had their sights on it. As a result, it became a much-prized, essential objective for the French minister. Choiseul forced Genoa to cede Corsica in return for pardoning debts to the king. Genoa had incurred these when Louis XV lent it £2 million for military aid to “repress” a Corsican revolt. As part of the terms of the Treaty of Versailles of 15 May 1768, the island remained the legal territory of the Republic of Genoa – but, in reality, fell under French occupation and administration.

South America's 19th-century economic development provides another example of how territories can essentially be ceded due to debt. The newly euphoric subcontinent exported Argentinian leather and wool and Chilean wheat to Europe. However, the Europeans demanded that its customs borders be opened up to their manufactured goods – and competition – in return. Rather than investing their capital in productive industry, wealthy South Americans preferred to remain within their rural estates (with the exception of São Paulo). When it gained independence in 1822, Brazil became an

economic colony of Great Britain, which made use of the country's debts to quash local industry. Young Latin American nations gave away large sections of their economies in the belief that they could count on European finance indefinitely. Most ports fell under British or French control. Chile privatised its immensely rich copper mines. In 1920, the subcontinent's 100,000 km of railway lines were run in large part by British companies. Mexican President Porfirio Díaz (1876-1911) attempted to buy out these businesses and re-establish the country's financial independence, but Mexico proved too heavily indebted to achieve this. Keen to maintain its control of the Atacama nitrate fields, Peru decided to nationalise them but was not able to reimburse operating companies' shareholders and fell into debt. After the War of the Pacific (1876-1883) in which Chile defeated Bolivia for access to Atacama, the former country won new resources, yet its war debts soon forced its government to give up the right to mine nitrate. A British man known as the "Nitrate King", or John North, thus gained a monopoly.

In modern-day Iraq, national debt was probably one of the major (albeit under-reported) causes for the invasion of Kuwait in 1990. Here, however, the normal rules were reversed, and the debtor country tried to take control of its creditor's finances. Saddam Hussain's oil-rich Iraq had long enjoyed out-sized foreign trade and minimal debts. Yet when war broke out with Iran in 1980, it found itself increasingly indebted to the United States, Saudi Arabia and Kuwait in particular. These three creditors lent it \$1 billion a month to wage war against Shi'ite Iran. This aid was far from free, however, as it was leveraged against Iraq's oil production. At the war's end in 1988, Iraq was left depleted and deep in debt to all global financial institutions. Saddam Hussein's ambitions and oil revenues were enough to convince the IMF and Paris Club not to reschedule the country's debts, leaving it at an impasse. In 1990, Saddam Hussein decided that invading Kuwait would help protect it against financial ruin, as it owed \$25 billion of its \$127 billion of debt to its tiny neighbour, and there was Kuwait's potential oil revenue to take into account too.

In conclusion, national debt can undoubtedly weaken a country's geopolitical force, hence the value of closely monitoring the changes in action at the moment. The aid that has recently been lent everywhere from Japan to France and India will automatically make these willingly indebted countries vulnerable.