

**COMITTEE:** Economic and Financial (EcoFin)

**QUESTION:** Addressing the rising Global Debt levels in developing countries to ensure economic resilience.

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**POSITION:** Deputy president

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## Personal introduction

Dear Delegates,

My name is Sophia Maria Danalis and I will be your vice-president alongside Michail Panotopoulos during the MUN Conference. I look forward to us working together and listening to the different points of view of the countries you are each representing. Although you must remember that the goal remains the same for all of you. I am certain that during our three days, the debates will be fruitful and that I will do my best to make this experience unforgettable.

Among the three subjects presented, I will be addressing the question of Global Debt levels in developing countries to ensure economic resilience. A topic I find not only

interesting but also incredibly important because of its role in international politics. Moreover, these problems cannot be solved in a simple or easy way that does not have consequences so they must be studied beforehand.

I hope this study guide helps you understand the topic and makes it easier to debate on. If you need any help, please do not hesitate to contact me. I wish you all good luck.

## Introduction

Today, most countries in the world have some level of debt. Nevertheless, we must focus on the developing countries whose economy would collapse if they faced any kind of crisis. A country in debt means it has borrowed money from wealthy and developed countries, but if the amount of money borrowed is too much for the country to repay, it may lead to economic problems such as inflation and job losses which in turn lead to poverty.

In recent years, many developing countries, usually low- and middle-income nations, have had to increasingly borrow money to be able to fund infrastructure projects, and other aspects of life such as education. Furthermore, interest rates have gone up, and it becomes harder for countries to pay back their debt. This has been a long-term consequence of the COVID-19 pandemic. These challenges hinder long-term growth and prevent many nations from achieving their development goals.

According to the UNCTAD, 59 developing countries are facing high debt levels with debt-to-GDP ratios higher than 60%. Moreover, 54 countries give more than 10% of the government's revenue to interest payments, indicating substantial debt troubles. These numbers may not seem like such a big problem, but they affect global economics and politics depending on geographical location, trade relationships and the size of the economy affected by debt. For example, when Sri Lanka's economy collapsed in 2022 it caused loss of investor confidence towards countries with the same burdens which means that the lending country no longer wants to invest in with such high risks which triggers repercussions in international markets.

It is therefore vital to look for different solutions to save developing countries from debt crisis but also turn them into somewhat resilient countries and build a stronger global economy.

## Definition of Key Words

**Global Debt:** refers to the total amount of money owed by all sectors, including governments, businesses, and households worldwide

**Debt:** when countries need economical help, they take loans from wealthier and more developed countries and the money they owe is called their “debt”. If a country owes too much it can become a problem.

**Developing countries:** countries that are still in a process of growth and improvement economically.

**Economic resilience:** this refers to how strong a country’s economy is. If a country’s economy is resilient, it can handle any kind of crisis that affects its economy.

**Debt reconstruction:** changing the terms of a loan so it’s easier for the country in debt to repay without as many consequences. Most of the time the country either must pay back less or in a longer period of time.

**Debt forgiveness:** when wealthier countries cancel out the debt or a part of it so it mustn’t be paid back

**Supporting economic growth:** developed countries help developing countries build stronger economies through investments and trades which generates more income. It makes it easier for the countries in debt to pay it back and stay resilient

**GDP:** the Gross Domestic Product is calculated annually, and it represents the money made by all businesses within a country.

**GNI:** the Gross National Income is the same as the GDP plus income from all over the world (non-resident units to resident units)

**Non-resident units:** jobs in foreign areas such as embassies, military bases and international organisations

**UNCTAD:** United Nations Conference on Trade and Development - addresses issues in finance, investment and keeps track of the development in developing countries

**HDI:** Human Development Index – created to assess the development of a country and not only its economic growth. It measures health and life expectancy, education and the living standards

**IMF:** International Monetary Fund - an organization of 191 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, and reduce poverty around the world

**Interest (when borrowing):** charge for borrowing money usually expressed in percentage. For the lenders it is a compensation for the money being lent.

**Compound interest:** interest which grows exponentially over time, and it is calculated with both the initial price and the added amount leading to owing more every year until paid back completely

**Simple interest:** interest set on a principal price and adds on every year

**LDC:** Least Developed Countries among developing countries

**Inflation:** rising prices

**Debt-to-GDP Ratio:** expressed as a percentage -  $[(\text{Total Debt} \div \text{GDP}) \times 100]$ . Low ratios show us that the economy is strong enough to handle its debt while with high ratios we can see that the country owes as much or more than its revenue which could cause financial problems (but it is not always the case e.g. Japan)

**Debt crisis:** when a country cannot pay back their debt. It is a crisis once the revenue of the country is less than the expenditures for a prolonged amount of time.

**Expenditures:** amount of money spent

**EEF:** Extended Fund Facility is a conditionality when loaning from the IMF, that offers a longer engagement and a longer repayment period.

## General overview

### Causes & Consequences

- Heavy borrowing

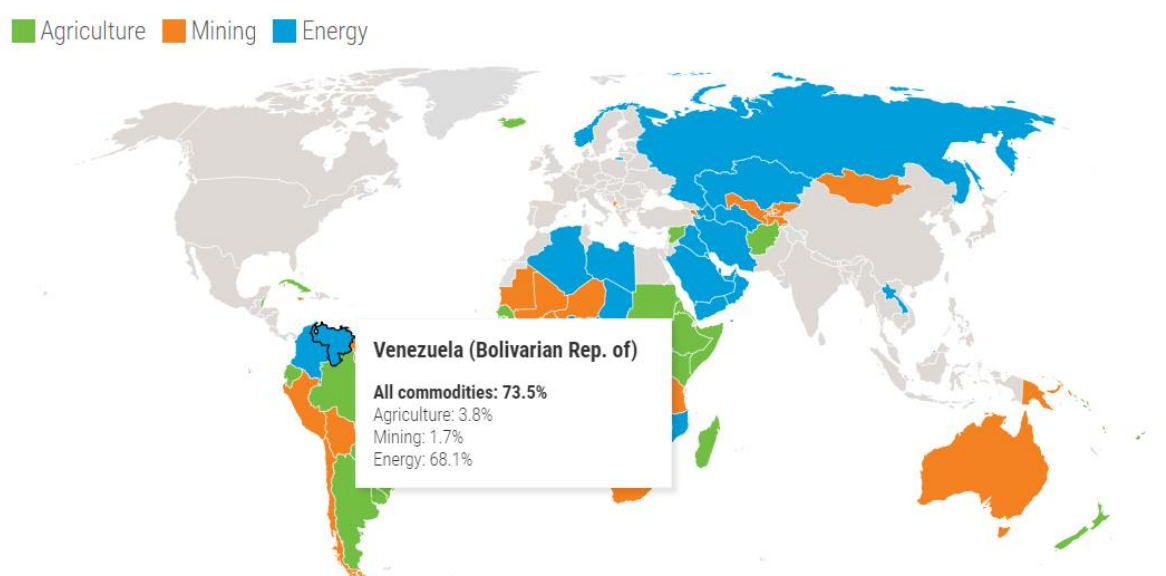
There are many different factors contributing to a country's debt. The most common one is heavy borrowing where countries borrow money to fund infrastructures, education and healthcare. In this case, most of the country's revenues go to paying back the amount borrowed, which often increases over time due to interest, making it harder to pay back, if the country isn't resilient enough. There are also different ways of borrowing money for example when taking out a loan from the IMF the government agrees to adjust their economic policies to help ensure that the country adopts strong and effective policies. For example, Argentina who has borrowed money four times from the IMF since the turn of the century has managed to pay it all back except the most recent one of 44bn in 2022. Borrowing from the IMF comes with a conditionality set to help improve the economic resilience of the developing country. In this case, Argentina is presented with an Extended Fund Facility (EFF)

another conditionality of a loan is the trust and belief that the money will help the country in need and not make the situation worse:

“We recognize Argentina’s tremendous progress in reducing inflation, stabilizing the economy, returning to growth, and with poverty finally starting to decline,” said Julie Kozack, the IMF’s director of communications in a press conference in early February 2025.

- **Commodity dependence**

Commodity dependence is when more than 60% of the country’s revenue is based on the trade of a specific “raw material”. Agriculture, energy and mining products underpin global trade, but too much dependence on them can leave an economy vulnerable and people poor. When depending on a certain form of trade, the government must be certain it is economically stable and dependable to make a yearly profit. Although it is a global problem, it mostly affects developing countries. Furthermore, this form of poverty doesn’t only hit countries, but it can hit households and in particular families depending on agricultural products, which are known to be unreliable because of the different conditions required to have a good crop. Venezuela is one of the most commodity-dependent economies in the world, with oil historically accounting for an estimate of over 90% of export earnings and up to 50% of government revenue. The country’s reliance on oil has made it highly vulnerable to a crisis. The South American country has the biggest supply of crude oil (a type of petroleum used to produce fuels such as gasoline) but the industry has been severely affected by the lack of investment, internal mismanagement and external blows. In 2018, reports highlighted that oil workers were fleeing the state-owned oil company due to hyperinflation and inadequate salaries, leading to equipment theft and environmental damage further crippling the economy.



Commodity dependant countries (Venezuela) and their main dependency 2019 – 2021 (source: UNCTAD)

Joe Biden authorized the license in 2022 after Maduro agreed to work with Venezuela's political opposition toward a democratic election. But the election, which took place in July 2024, was neither fair nor free, and Maduro was sworn in last month for a third six-year term despite credible evidence that his opponent got more votes. Over time, the US has become one fourth of Venezuela's oil income, but things just keep getting worse for the South American country: "We are hereby reversing the concessions that Crooked Joe Biden gave to Nicolás Maduro, of Venezuela, on the oil transaction agreement," Trump wrote. Living standards plummeted a total of 74% in the span of 10 years.

- **External shock**

Natural disasters, pandemics, and turndowns on an economic scale, such as wars or economic crises are considered factors of external shock. Natural disasters, for example earthquakes, typhoons and wildfires, are usually the most destructive making the more susceptible countries face bigger and uncontrollable economic problems. Low - middle income developing countries, who are prone to such disasters face different kinds of impact on their society, including damage to infrastructure, loss of livelihood, and agricultural losses. All these consequences lead to an increased need for expenditure, on reconstruction of the infrastructure and funding of hospitals which all together create an economic slowdown and a need to borrow. Moreover, to have the ability to build resilient infrastructure the country must be economically stable. For example, Japan who has a highly developed economy which is ranked 4<sup>th</sup> in the world, has multiple projects to build a resilient nation for residents to be able to live without a constant worry. Sadly, this is not the case for many underdeveloped countries whose geographical location makes them prone to such disasters, but their economy makes them unable to act in advance against their situation leaving them with the only solution of borrowing money. For instance, the Philippines, a country located in Southeast Asia, on the eastern rim of the Asiatic Mediterranean. Its basin in the Pacific Ocean is prone to earthquakes and volcanic eruptions and floodings due to heavy rains brought by the southwest monsoon and low-pressure area also affects the region, resulting in damage to many livelihoods and prone to all kinds of natural disasters.



City of Tacloban in the Philippines, damage done by the Typhoon Haiyan (source: Britannica)

One of the most damaging events was the Typhoon Haiyan in 2013, a category 5 storm that caused damage of 1.1 million houses, destroyed 33 million coconut trees (a major source of livelihoods), and pushed approximately 2.3 million people into poverty. Overall damage is estimated at \$13 billion. “A disaster of this magnitude can push families further into poverty. The speed of assistance is critical to ensure that loss of shelter, assets or livelihoods are only temporary, and quickly resolved with skills programs, income generating activities, and high-quality rehabilitation and reconstruction,” said ADB President Takehiko Nakao after approving a \$500 million emergency loan. Today, the Philippines government on some measures continues to be one of the most indebted in the world. It currently spends almost 30 per cent of government revenue on debt payments each year, more than is spent on public health and education combined. But the East Asian country was considered too rich for the IMF and World Bank run scheme to cancel some debts.

- **Political instability**

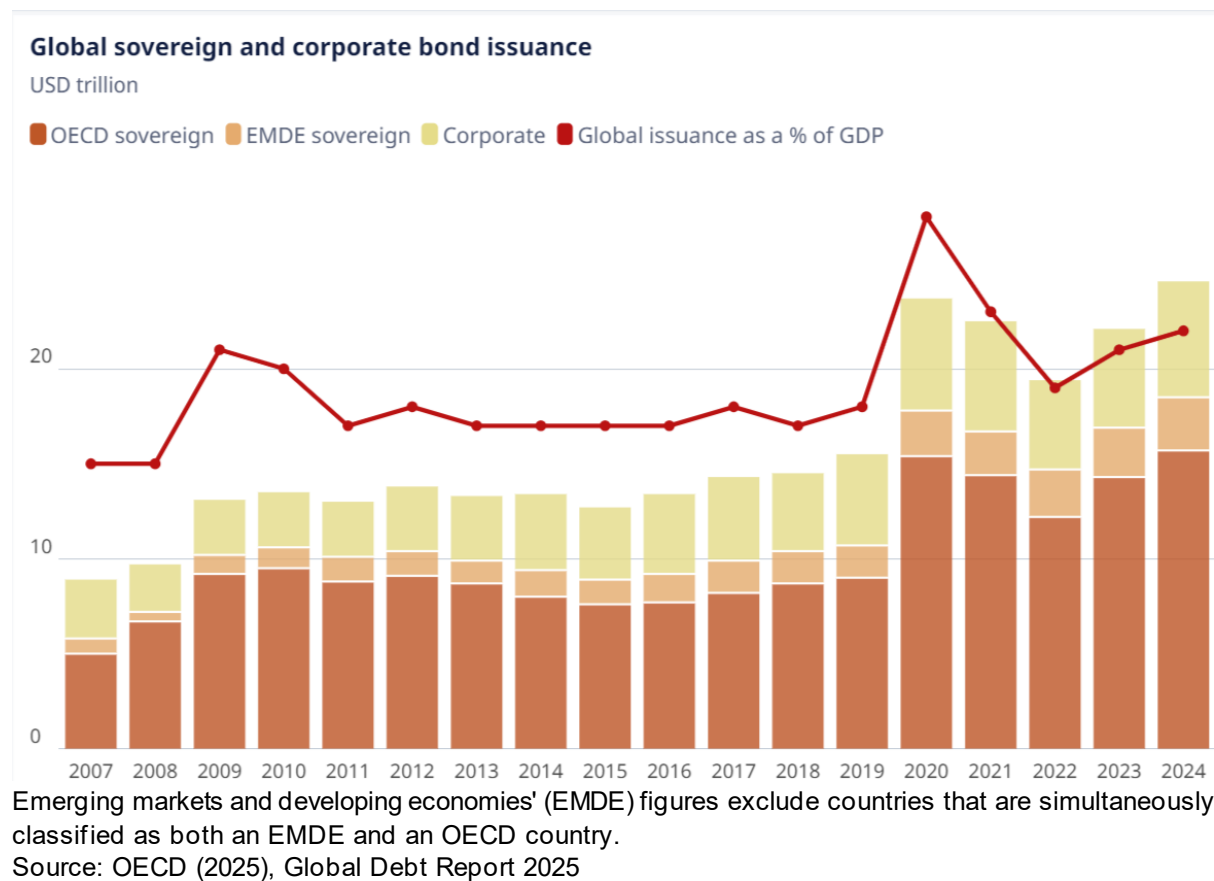
Politics play an important role in the economy of a country, because the decisions are made by the government, so when a country is politically unstable the economy is also on a thin line, it becomes a slow growing economy leading to investment uncertainty. Wealthy individuals and businesses may move their money to safer countries, reducing domestic capital. If the government decides to print money, inflation can rise. Sometimes, countries can overcome such problems using their points of strength, for instance, Brazil, Russia and Turkey who all have different economic strengths such as natural resources, energy, military complex, tourism and a strong trade market. Other countries, such as Myanmar have struggled due to a

lack of governance. Throughout its decades of independence, Myanmar has struggled with military rule, civil war, poor governance, and widespread poverty. A military coup in February 2021 ruined any hope for democratic reforms in the Southeast Asian nation. The coup has also brought economic turmoil, wiping out modest gains in poverty reduction made over the past decade. The economy shrank by nearly 20% in 2021. Myanmar had previously received loans from the World Bank, Asian Development Bank (ADB), and Japan before the coup. However, most international financial institutions (IFIs) suspended aid and loans after 2021 and are not planning on any new support making the situation even worse for the once Burma. Political turmoil is usually the first reason for the IMF to stop funding and supporting a country's economic stability.

- **Currency depreciation**

Currency depreciation has both positive and negative impacts on the economy. The positive aspect is that with a weaker currency, exports are cheaper for foreign buyers so trade blooms benefitting manufacturing or agriculture while reducing trade deficit, for the same reasons tourism becomes one of the strengths of an affordable country. On the other hand, a weak currency makes imported goods much more expensive which leads to inflation and sometimes even hyperinflation reducing the living standards. If the country is in debt on a different currency (USD or EUR), it makes the amount more expensive so harder to pay back which could in turn lead to a financial crisis. Many times, financial investors withdraw their money, stock markets decline resulting to simply worsening the crisis. For example, Zimbabwe has experienced one of the worst cases of currency depreciation, hyperinflation made the Zimbabwean dollar collapse making it almost worthless and eventually was abandoned in 2009. The problems with inflation and currency depreciation are still a persistent issue that has not been resolved although a different currency, the ZWL, was introduced in 2019. The hyperinflation made it impossible for African country to pay their debt leading to suspension from the World Bank and the IMF, further isolating the country from international financial systems.

National debt effects – such as higher interest payments, inflation, credit downgrade, default risk, and austerity – are direct consequences of the economic origins that lead to excessive borrowing. Economic downturns, financial mismanagement, unaffordable government spending, and external shocks could force a nation to borrow money to levels that are unsustainable. As borrowing increases, governments face higher borrowing costs, reduced investor confidence, and currency volatility that can unleash a vicious cycle of economic pain. Ultimately, these costs highlight the importance of stable debt management to ensure long-term economic stability.



## Case study 1

*The COVID-19 pandemic had effects on both wealthy and poor countries. In March of 2020 when the European Central Bank announced a €750 billion emergency intervention plan (which eventually rose to €1.7 trillion), with an interest rate of nearly 0% it was like giving governments access to free borrowing to pay for the national health care effort, the salaries of people forced to stay at home, emergency loans for businesses, etc. The consequences of this action created historic government debt levels which in turn kept economies afloat.*

*However, the effects had a greater impact on developing countries. The failure to control the COVID-19 pandemic has had far reaching impacts on the global economy, with global GDP falling by 3.3 percent in 2020. The global economic downturn is having a disproportionate impact on low-income and emerging economies. They will take the hardest hit as they have “less resources to protect themselves against this dual...health and economic crisis.” says Kristalina Georgieva, Managing Director of the International Monetary Fund. Low-income countries debt burden may rise to between \$2.6 trillion and \$3.4 trillion over the next two years, according to UNCTAD. A significant share of low-income country’s public debt is mainly in U.S. dollars; the depreciation makes it difficult to pay their debts leading to an economic crisis right after a health crisis. The World Bank is providing \$160 billion in financing – the largest response in its history – to help 100 low-income countries respond to the health, economic and social impacts of COVID-19, including*

*\$50 billion of resources on grant and highly concessional terms, and \$20 billion for vaccine purchase and distribution. Of the 100 countries supported by the World Bank, 39 are in Sub-Saharan Africa and nearly one-third of the total projects are in fragile and conflict-affected situations. Furthermore, the IMF has provided emergency financing to 85 countries and approved immediate debt relief to 29 low-income countries, totalling nearly \$500 million.*

## **Concerned countries and organizations**

**UNITED STATES:** The US plays an important role in both aspects of the debate; they have over \$34 trillion in national debt with a Debt-to-GDP ratio of 120%. The United States collects less revenue than spending on a yearly basis, tax cuts (in 2001, 2003 and 2017) decrease the revenue while spendings continue to rise making the situation even worse for the United States. On the other hand, U.S dollars are the world's reserve currency meaning that most international trade is made and priced in USD and multiple loans use USD as their main currency. Despite this, it is a high risk; interest rate grows faster every year costing more to repay, both facts leading to loss of investors' confidence. In any case, the USA is a country willing to help indebted countries, upholding its role as the most powerful member of global financial institutions.

**UNITED KINGDOM:** The UK, much as the USA, although in debt with a Debt-to-GDP ratio estimated at 100% (£2.7 trillion) plays a significant role helping indebted countries. The pound sterling is used as a reserve currency and London is one of the world's top financial centres because of a powerful mix of history, geography, global influence, and innovation. The UK participates in international efforts to reduce or cancel debt for low-income countries. and is a founding supporter of the Heavily Indebted Poor Countries (HIPC) Initiative, helping cancel debts for 37 of the world's poorest countries.

**FRANCE, GERMANY:** Two countries with the strongest and largest economies in the EU, they are both considered “Eurozone Giants”, their leadership shapes EU economies through bailouts and direct influence on the IMF and the World Bank. Although both countries have a high national debt, they are both involved in helping other less resilient countries.

**NORWAY, SWEDEN:** Named “Nordic Resilience Champs” for being smaller than the “European Giants” but super resilient and financially smart. Both countries have a low debt of 35% but it is extremely misleading as Norway has created a “financial cushion” of \$1.5 trillion in sovereign wealth fund and despite not being in a position to influence global financial institutions, they find ways to help fund all kinds of aspects.

**SWITZERLAND:** A neutral but deeply connected country, with a very powerful economy, that quietly works towards helping countries financially. It is not a major global creditor, but the Swiss government supports fairer and more transparent and sustainable global system. Switzerland is a bridge between wealthy nations, private lenders, and indebted states because of its reputation for discretion and diplomacy.

**JAPAN:** Japan has the highest debt-to-GDP ratio in the world with an estimate of 250% of GDP (as of 2024). And yet it's considered stable because interest rates are near zero, and inflation is low furthermore the Bank of Japan owns a big part of government bonds, keeping things contained. So, while Japan is technically the most indebted developed country, it is resilient and not facing a crisis. Japan is the world's largest bilateral creditors which means that it lends directly to countries, and it offers long-term, low-interest loans through agencies like Japan International Cooperation Agency (JICA)

**CHINA:** China, who is in a position similar to the one of the United States, sparks debate over whether it is trying to help underdeveloped and indebted countries or whether it is on a hunt to trap the indebted countries in positions where they owe China money and repay it in different ways. For example, Sri Lanka's Hambantota Port was leased to a Chinese firm for 99 years after it couldn't repay its debts.

**RUSSIA:** Russia's role is different to that of China's and the US'; it is more technical and strategical. Debt forgiveness is used to form alliances, while lending and aid offers are targeted, limited and politically driven. The country's debt is low because of high oil revenues but western sanctions imposed in 2014 have isolated Russia from global capital markets and in 2022, Russia defaulted to foreign debt for the first time in over 100 years.

**PHILIPPINES:** A country greatly affected by natural disasters and in need for economic resilience to have the ability to survive them with less disasters and loss of livelihood. The Philippines although a part of the "next-11" (N-11) economies and considered as a country with a high growth potential, and a Debt-to-GDP ratio of around 60%, is still at risk with rising debt levels and slow tax reforms.

**LEBANON:** A modern-day example of a debt crisis. In the early 2000s Lebanon was considered a regional banking centre and a tourism hotspot but in March 2020 the country failed to make a \$1.2 billion payment. Lebanese banks froze accounts, people lost access to their savings, and the Lebanese pound lost 90% of its value. The country is facing political instability with no sign of a recovery plan making an IMF deal almost impossible seeing as its aid is conditional.

**SYRIA:** A country at war since 2011 whose infrastructure is ruined, where the currency (Syrian pound) has collapsed leading to poverty as well as inflation having the upper hand, the GDP has dropped by over 80%. When talking about debt there

is limited data, but Russia and Iran have provided military and economic support, moreover, the IMF cannot help Syria as it is under sanctions banning most foreign financial transactions and the IMF has certain conditionality terms to aid a country.

**NIGERIA:** One of the largest economies in Africa yet it is burdened by all kinds of financial problems while being indebted. Nigeria has high debt levels relative to GDP, and although it is a large economy it is based on borrowing, both externally and domestically. There are several risks looming such as currency depreciation and fiscal challenges because of oil price shocks.

**VENEZUELA:** Venezuela's economic and financial crisis is one of the most severe cases of debt mismanagement and hyperinflation. The country has \$150-170 billion in debt, economically the GDP declined by 75%, the inflation rate is one of the highest in the world and the oil dependence as well as the political situation have caused the crisis in the south American country.

**ARGENTINA:** The country has experienced multiple debt defaults and economic downturns over the past several decades. Despite being a major emerging market with a diverse economy, Argentina's persistent debt problems are largely tied to economic mismanagement, inflation, and the pressures of external debt. As of today, the total debt stands around \$300-350 billion which is 90-100% of the country's GDP.

**KENYA:** Kenya is classified as a country "at high risk of debt distress". Infrastructure projects, heavy external borrowing, global shocks such as Russia-Ukraine war and COVID-19 and currency depreciation all weigh down on the economic image of Kenya causing distress. Furthermore, the IMF has helped Kenya, but the austerity related conditions have triggered protests, a major pushback.

**PAKISTAN:** As of 2025, Pakistan is on the edge of default and heavily reliant on external assistance. The country owes money to multiple financial organisations and countries. It is one of the IMF's most frequent borrowers without living up to its end of the bargain leading to the relationship being unstable with frequent suspensions and backlash

**INDIA:** An emerging economy who has managed its debt prudently and is not currently facing a crisis, but it still stands as one of the most indebted developing countries with rising long-term challenges. Unlike many indebted countries, most of India's debt is domestic, which reduces its exposure to foreign exchange risks.

**When it comes to organisations, there are different types:**

Multilateral organisations, funded by countries that support global development and debt sustainability:

- The International Monetary Fund (IMF) which provides loans to countries facing balance-of-payment problems, technical assistance, and economic policy advice. It offers debt relief through programs like the Heavily Indebted Poor Countries (HIPC) Initiative.
- The World Bank who offers financial products, policy advice, and technical assistance and is working towards providing low- or no-interest loans to the poorest countries
- Organisation for Economic Co-operation and Development (OECD) which monitors debt levels, sets development aid standards, and promotes policies to improve global economic and social well-being.
- Regional Development Banks, banks that provide tailored financial and technical support as well as resilience strategies specific support to regions

Debt management and transparency initiatives, groups focusing specifically on debt data, sustainability and policy coordination

- Paris Club is an informal group of official creditors whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by debtor countries. The Paris Club has reached 480 agreements with 102 different debtor countries. Since 1956, the debt treated in the framework of Paris Club agreements amounts to \$ 616 billion.
- G20 (Debt Treatments) addresses all types of debt and helping debtors pay them off. The Group of Twenty suspended debt payments for 73 low-income countries during COVID-19.

And of course, there are nonprofit organisations trying their best to bring enough attention to the matter and think tanks researching these topics. They play critical roles in advocacy, capacity building and capacity advice. An example of a such organisation is The Jubilee Debt Campaign now known as the Debt Justice; it advocates for debt cancellation, transparency, and fair lending practices. It also works on climate justice and addresses how debt is a sign of inequality

## UN involvements / Previous attempts to solve the issue

### 1. Development Programme (UNDP) 's Sustainable Finance Offer (2020-present)

It helps countries manage their debt while aligning with the Sustainable Development Goals who work towards making the world a better place fighting for things like no poverty, gender equality and education. The UNDP deployed Integrated National

Financing Frameworks (INFFs) in over 80 countries to help governments align budgets, planning, and financing strategies, including debt management, with development priorities.

## **2. Global Debt Moratorium (2020)**

During COVID-19, the UN urged G20 and international creditors to suspend debt payments for low- and middle-income countries pausing payments temporarily for 73 countries freeing up resources for health spendings.

## **3. Debt Management and Financial Analysis System (DMFAS)**

A software and capacity-building package developed by the UNCTAD. It is used by over 70 countries to manage public debt transparently and it helps governments avoid hidden or poorly structured debts and ensures better risk assessment and public reporting.

## **4. Reports to the Human Rights Council**

The UN Independent Expert on foreign debt and human rights regularly reports to the Human Rights Council on how unsustainable debt affects economic, social, and cultural rights. These reports push for a human rights-based approach to debt sustainability and challenge aggressive creditor practices and repeatedly brings attention to the problem.

## **5. Debt-for-Nature or Debt-for-Climate**

These are contracts signed between debtor and creditors to convert debt into environmental or climate investments. Often time it is facilitated by the UNDP, UNEP, or UNFCCC.

## **6. Addis Ababa Action Agenda (2015)**

A multilateral agreement signed by all UN member states, it was adopted at the UN's Third International Conference on Financing and Development. It commits to working towards a global consensus on guidelines for debtor and creditor responsibilities in borrowing and lending to sovereigns and implements the SDGs.

## **7. "Basic Principles on Sovereign Debt Restructuring Processes" (UNGA Resolution 69/319)**

Proposed by Argentina on the 10 September 2015, 136 countries voted for and 6 voted against including the US, the UK, Japan and Germany. Its goal is to establish principles for future sovereign debt restructuring processes. It responds to the lack of a formal, multilateral legal framework for dealing with sovereign defaults.

## **Latest Developments**

## **Case Study 2**

*The U.S. Foreign Aid Freeze is taking a toll on multiple countries and citizens after being abruptly cut off for an unknown amount of time. On January 20<sup>th</sup>, 2025, President Trump signed an Executive Order titled: "Reevaluating and Realigning United States Foreign Aid" implementing a 90-day pause on all U.S. foreign development assistance programs to conduct a review. Shortly after hundreds of staff were let go and in the start of February the USAID website was taken down. Global health problems such as malaria, tuberculosis and other life-threatening health issues were granted a limited waiver. On the same day, all hired personnel of the USAID globally would be placed on administrative leave on February 7th. Furthermore, a lawsuit was filed, and a Temporary restraining order (TRO) was placed to prevent the government from firing the staff until February 14th, but nothing was done against the Aid Freeze, following the first lawsuit came multiple others and repetitive requests for a TRO on the Aid Freeze which was delayed repetitively. After 6 weeks of the USAID review 83% of the programs have been cancelled, on April 17, 2025, the administration extends the review for another 30 days. This whole lengthy situation leaves countries in need of this aid such as Afghanistan without it, most countries dependent on USAID are classified as "emergency response".*

### **Case Study 3**

*The ongoing trade war, mostly between China and the U.S. is getting out of control with the U.S. implementing an 145% tariff on all Chinese products while also introducing a 10% tax on goods from many other countries and China responding with an 125% tariff. Trump argues that tariffs will boost US manufacturing and protect jobs, but the world's economy has been thrown into chaos, and prices are expected to rise. The International Monetary Fund (IMF) has cut its global growth forecast because of the uncertainty caused by tariffs and says it expects the US to be hit the hardest.*

*Tariffs are charged on imported goods usually they are a percentage of the products value, if that percentage is too high it makes the price higher creating less demand. But Trump and his administration didn't stop at imported goods; there is a 25% tariff on aluminium and steel, 25% duties on cars.*

### **Possible solutions**

- Debt Forgiveness: all indebted countries are set to zero even the economically resilient and stable ones such as the United States, and we restart more strategically to not repeat same mistakes.
- Find ways to repay debt, not the common method of repaying the amount with the additional interest, but through goods and trade or through actions such as scholarships.

- Taxes payed by wealthy and resilient countries to then help indebted countries on the verge of a crisis
- Reduce interest or use simple interest rather than compound interest to make it easier to pay back and not create such a big problem for debtors if it is not possible to repay immediately

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