

Human Rights and External Debt: Case Study Spain

*Derechos humanos y deuda externa:
el caso de España*

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Abstract

The research analyses the relationship between adjustment programs and human rights violations, through the elimination of welfare state and other social and economic rights. The government has either eliminated or reduced some welfare services, making some services not accessible to the poorest sectors. The paper conducts an analyses of the changes introduced by the government to solve the debt problems through its adjustment programs that have weakened economic and social rights expressed in the declaration of human rights and the European convention on human rights. The paper concludes that the adjustment programs represent a violation on basic rights of the European citizens and should be modified to incorporate the externalities of these programs on the poorest sectors.

Keywords:

- Human Rights
- External Debt
- Spain

Resumen

La investigación analiza la relación entre programas de ajuste y violaciones de derechos humanos, por la eliminación de estado de bienestar y de otros derechos sociales y económicos. Pues el gobierno ha eliminado o ha presionado a algunos servicios de bienestar, haciéndolos no accesibles a los sectores más pobres. El escrito advierte sobre los cambios introducidos por el gobierno para solucionar los problemas de deudas, ya que los programas de ajuste han debilitado al conjunto de los expresados en la declaración de derechos humanos y la convención europea sobre derechos humanos. El texto concluye que los programas de ajuste representan una violación a los derechos básicos de los ciudadanos europeos y deberían ser modificados para incorporar externalidades para los sectores más pobres.

Palabras clave:

- Derechos Humanos
- Deuda Externa
- España

JEL: F34, I30, K31

Introduction

The current high debt levels and their repercussions on the living standards of citizens in Spain have revived the historical debate over the effects of government's external debts on the human rights, particularly: economic, civil, political, social and cultural rights. Spain's high debt levels appeared simultaneously along with deteriorations of rights due to the loss of income.

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Section 3 presents the evolution of the debt crisis and the economic distress in Spain. Section 4 conducts the case study of Spain, analyzing the status of the compliance of human rights. Section 5 presents the policy recommendations and conclusions.

The research will try to link that the high debt levels are affecting the human rights through the debt overhang mechanisms – macroeconomic instability, political instability, higher interest rates, and capital flight, less investment, higher inflation, lower demand and lower productivity- affecting economic growth. Economic distress generates the conditions that make governments cut social spending, lower the labor standards and limit the right to strike due to the need to attract new investment by lowering the cost of production of enterprises, generating the condition for economic growth.

The identified violations of international treaties related to human rights are:

ii) Article 7 and 8 of the International Covenant on Economic, Social and Cultural Rights. According to article 7, “the right to everyone to the enjoyment of just and favorable conditions of work which ensure in particular, a remuneration which provides all workers, as a minimum with iii) a decent living for themselves and their families.” the second states that “States should undertake, at the national level, all necessary measures for the realization of the right to development and shall ensure, inter alia, equality of opportunity for all in their access to basic resources, education, health services, food, housing, employment and the fair distribution of income;

Debt overhang constrains economic growth, and economic growth is linked to improvements of human rights, this makes us infer that economic contraction constrains human rights. Krugman's early theory of debt overhang has been further developed, now some authors have provided systematic ideas of the transmission mechanisms of the effects of external debt on growth.

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The impact on poverty of debt are due to lower economic growth , inflation, unemployment, government revenues fall amid falling economic activity and increases in regressive taxes and restrictive fiscal policies .

Fiscal contraction of social spending, further harms the most vulnerable. The education and health coverage affect human capital assets and transfers: grants, unemployment insurance, etc.

The government employs macroeconomic policy adjustments in order to balance the external imbalance resulting from the high level of indebtedness, among them we can mention the labor reforms in order to lower the employment cost and unemployment benefits and currency depreciations that would lead to a more balance budget.

3. Debt Crisis: The Origins of the Structural Adjustments

The financial crisis of 2007 in United States contaminated the European financial sector, forcing the state to intervene and compromised substantial public resources. The financial crisis lead to sizable losses in the balance sheets of financial institutions but also enterprises which affected the economic activity. The economic crunch led to housing problems in Europe that exacerbated the crisis and the economic recession with high deficit and debt levels which evolved into to a debt crisis, Spain among them.

This section provides a brief review of this process and insight key stages of its evolution and its scope for the Spanish economy. This loss of income of the state lead to an additional burden to tax payers since the government has to increase taxes or borrow additional resources to balance its account in the fiscal year (Petrakis, 2012). This exposed view follows the idea that “the sovereign debt crisis is a consequence of interactions between sovereign problems and banking problems that caused a severe economic slowdown” (Moro, 2013).

The Spanish economy slowed its growth from 4.07% in 2006 to 3.45% in 2007 (real PPP terms). The first signs of contagion of the US financial crisis were identified in Europe in August 2007. The reason of the lower economic growth was the contraction of real estate sector investment, consumer demand drop, consumer solvency deterioration, restrictive credit conditions, higher interest rates, financial turmoil, reprising of risk, increase in public debt yields and the substantial increases in international oil and food prices, conditions that had already begun more restrictive but from the second half

rose more than 34%. The debt to GDP ratio exceeded 54% and the primary balance to the GDP was 11.1%.

The economy contracted 0.2% in 2010. The financial crisis generated more tightening in the financial system that affected the lending standards and the perception of risk of the Spanish banking system, leading to increase in interest rates and bond yields spread against the German benchmark. Doubts about the commitment to tackle structural problems, higher unemployment rates, labor market dysfunctionalities, deteriorating public finances and weakness of the European institutional framework raised doubts about the course of public spending. (Banco de España, 2011, pp. 23–42).

The turmoil in the euro area sovereign debt markets lead to substantial increase in the prices of the European debt bond yields, Spanish among them. The high tension of the Greek (110 billion euros) and Irish (85 billion euros) financial support packages generated a contagion effect upon the risk of the Spanish economy and its debt bonds were down grade from AAA by Moody's and Fitch and Standard and Poor's. The country adopted a structural adjustment agenda, which implied among several issues a labor reform, Royal decree-law 10/2010. The debt to GDP ratio exceeded 61.7% and the primary balance to the GDP was -9.6%.

The negative international environment in 2011 in the Euro area undermined considerably Spanish growth, and it renewed a dip into recession. The European debt crisis continued to unfold with a bailout of Portugal (78 billion euros) and a second bailout in Greece (155 billion euros), this affected the risk of Spanish bond yields, increasing the interest paid up to that moment to record levels the interest paid up to that moment. This increased cost of lending generated serious economic distress to the economy forcing the European Central Bank had to buy bonds to cut down borrowing cost and prevent the contagion of the debt crisis (Banco de España, 2012, pp. 13–33).

The economic growth was 0.05%. The main export destination of the Spanish economy is the euro area countries which most are also undergoing economic adjustment, repressing consumption. Additionally the sluggish domestic demand has been limited by the negative financial outlook, affected by the repercussion of the sovereign debt crisis and the restructuring of the Spanish financial system, the an increase of job destruction, further collapse of real estate sector and spillover effects of government austerity plans, the debt to GDP ratio exceeded 70.5% and the primary balance to the GDP was -9.6%. The among the austerity agenda the parliament decided to increase the age of

the health of immigrants in Spain, representing a reversal and discriminatory prohibited by international standards by human rights. Amnesty International has identified the reforms affected more than 873,000 illegal immigrants and the rejection of medical assistance to illegal immigrants in specific regions in Spain, the Balear Island (Amnesty International, 2013).

The economic crisis has caused an increase of unemployment, pension's cuts and unemployment benefits cuts leading to a financial distress of families that has led to a default, forcing a rise of evictions of their houses. The unemployment rate was 26.3% in 2013 and above of 50% of them have been unemployed over 12 months. "Amnesty International has documented failures of the authorities to put in place all necessary procedural protections prior to carrying out evictions, in particular an absence of genuine consultation to identify alternatives and failure to provide adequate alternative housing to those who cannot provide for themselves" (Amnesty International, 2012, p. 16)

There have been 328,687 homes foreclosed from 2007 to 2011, representing a minimum of 657,374 people affected. Those people evicted are forced to move in with family members, friends, or live in on the street. The state has reduced the number of available places in centers for homeless; it decreased from 21,900 available places in 2005 to 13,701 in 2010.

4.2 Worker Rights

The relationship between government and labor rights are direct and indirect. The direct link is realized by the provision of national employment insurance, and indirectly by regulating the relationship between employer and employees, like establishing minimum wage and working conditions. Structural adjustment programs worsen protections for workers' rights because they encourage a smaller role of the state in the economy, giving the employers more discretion over the terms and conditions of work.

The labor reforms are designed to make the economy more business friendly limiting the wages or wage increases to make exports more competitive. Spain has “raised the responsiveness of wage adjustments to labor market conditions by allowing firms in weak markets to deviate from collective bargaining outcomes and by reducing administrative extensions of collective agreements”. But as the report exposes this measure can increase to wage inequality among the working force (OECD, 2013, pp. 22, 65).

conducted to journalist and photographers covering these events, considered as an attempt to stop the free press.

The human rights violations conducted by security officers have gone immune. The first concerned is that security officers that intervene in the manifestations are not properly identifiable, violating the police protocols. The second is the inadequate investigations conducted by the internal investigation of the police and by the judicial system. The last concern is these practices stimulate human rights violations.

5. Policy Recommendations and Conclusions

High external debt impacts negatively human rights fulfillment and is not compatible with countries development goals. In order to help policy makers understand this relationship there has to be further study of debt management and debt sustainability frameworks to make them consistent with human rights. The World Bank and International Monetary Fund conducts assessments and policy advices to its members in debt related issues and their debt management tool to prevent and solve debt management problems, the debt sustainability framework, omits human rights issues by ignoring living conditions of their people in debt distress situations.

We find evidence in the case of Spain confirming the hypothesis by important scholars that external debt at certain levels undermines human rights standards. The investigation attempts to solve an important controversy in the literature of the externalities of the external debt since Human Rights issues have been overlooked in the frameworks by international organizations addressing this issue and contribute a systemic study to the problem..

Our contribution to the scholarly literature is increasing awareness of the implication external debt has on society and lead to a construction of an efficient tool for debt crises prevention and its externalities making casual inferences about debt and human rights. The study of External Debt and Human Rights is important for the political, social and economic life of citizens because it affects many lives and for preventing events that might harmful for society.

The study concludes that there is a negative relationship between external debt and human rights, limiting the government's capabilities to uphold the human rights of its citizens. Considerable amount of public money has been destined to prevent a collapse of the financial system that increased the financial distress of Spain. The approach taken to reach fiscal and debt sustainabil-

the mandate: <http://www.ohchr.org/EN/Issues/Development/IEDebt/Pages/Resolutions.aspx>

UN. (2014c, 05 15). *Documents* . Retrieved 05 15, 2014, from Documents: http://ap.ohchr.org/documents/dpage_e.aspx?m=178

12	5th Session 2007	A/HRC/RES/5/1	Institution-building of the United Nations Human Rights Council
13	2nd Session 2006	A/HRC/DEC/2/109	Effects of economic reform policies and foreign debt on the full enjoyment of all human rights

Source: (UN, 2014a)

Table 2. Resolutions and decisions of the Commission on Human Rights

	Session	Symbol	Title
1	61st session 2005	E/CN.4/RES/2005/19	Effects of economic reform policies and foreign debt on the full enjoyment of all human rights
2	60th session 2004	E/CN.4/RES/2004/18	Effects of structural adjustment policies and foreign debt on the full enjoyment of all human rights, particularly economic, social and cultural rights
3	59th session 2003	E/CN.4/RES/2003/21	Effects of structural adjustment policies and foreign debt on the full enjoyment of all human rights, particularly economic, social and cultural rights
4	58th session 2002	E/CN.4/RES/2002/29	Effects of structural adjustment policies and foreign debt on the full enjoyment of all human rights, particularly economic, social and cultural rights
5	57th session 2001	E/CN.4/RES/2001/27	Effects of structural adjustment policies and foreign debt on the full enjoyment of all human rights, particularly economic, social and cultural rights
6	56th session 2000	E/CN.4/RES/2000/82	Effects of structural adjustment policies and foreign debt on the full enjoyment of all human rights, particularly economic, social and cultural rights
7	55th session 1999	E/CN.4/DEC/1999/104	Effects of structural adjustment policies on the full enjoyment of human rights
8	55th session 1999	E/CN.4/RES/1999/22	Effects of the full enjoyment of human rights of the economic adjustment policies arising from foreign debt and, in particular, on the implementation of the Declaration on the Right to Development
9	54th session 1998	E/CN.4/DEC/1998/102	Effects of structural adjustment policies on the full enjoyment of human rights
10	54th session 1998	E/CN.4/RES/1998/24	Effects on the full enjoyment of human rights of the economic adjustment policies arising from foreign debt and, in particular, on the implementation of the Declaration on the Right to Development
11	53rd session 1997	E/CN.4/DEC/1997/103	Effects of structural adjustment policies on the full enjoyment of human rights

Source: (UN, 2014b)

Table 3. UN Reports on External Debt and Human Rights

	Body	Session	Date	Symbo	Title
1	HRC	25th	15/04/2014	A/HRC/ RES/25/9	The negative impact of the non-repatriation of funds of illicit origin to the countries of origin on the enjoyment of human rights, and the importance of improving international cooperation
2	HRC	25th	15/04/2014	A/HRC/ RES/25/16	Mandate of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights
3	HRC	25th	02/04/2014	A/ HRC/25/50/ Add.3	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephass Lumina - Addendum - Mission to Argentina (18–29 November 2013)
4	HRC	25th	02/04/2014	A/ HRC/25/50/ Add.2	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephass Lumina - Addendum - Mission to Japan (16–19 July 2013)
5	HRC	25th	27/03/2014	A/ HRC/25/50/ Add.1	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephass Lumina - Addendum - Mission to Greece (22 – 27 April 2013)
6	HRC	25th	27/03/2014	A/HRC/25/50	Report of the independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephass Lumina
7	HRC	25th	24/03/2014	A/ HRC/25/L.28	Mandate of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights

8	HRC	23rd	13/06/2013	A/HRC/RES/23/11	The effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights
9	HRC	23rd	11/06/2013	A/HRC/23/37	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephias Lumina
10	HRC	23rd	07/06/2013	A/HRC/23/L.22	The effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights
11	HRC	23rd	27/05/2013	A/HRC/23/37/Add.1	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephias Lumina - Addendum Mission to Latvia (14 to 18 May 2012)
12	HRC	22nd	15/04/2013	A/HRC/RES/22/12	The negative impact of the non-repatriation of funds of illicit origin to the countries of origin on the enjoyment of human rights, and the importance of improving international cooperation
13	GA	67th	13/08/2012	A/67/304	Report of the independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights
14	HRC	20th	18/07/2012	A/HRC/RES/20/10	The effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights
15	HRC	20th	02/07/2012	A/HRC/20/L.17	The effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights

16	HRC	20th	11/06/2012	A/ HRC/20/23/ Corr.1	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephass Lumina - Guiding principles on foreign debt and human rights - Corrigendum
17	HRC	20th	11/06/2012	A/ HRC/20/23/ Add.2	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephass Lumina - Addendum - Mission to the Democratic Republic of the Congo
18	HRC	20th	06/06/2012	A/ HRC/20/23/ Add.3	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephass Lumina - Mission to Vietnam: comments by the State on the report of the Independent Expert
19	HRC	20th	01/06/2012	A/ HRC/20/23/ Add.1	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephass Lumina - Addendum - Mission to Viet Nam (21-29 March 2011)
20	HRC	19th	19/04/2012	A/HRC/ RES/19/38	The negative impact of the non-repatriation of funds of illicit origin to the countries of origin on the enjoyment of human rights, and the importance of improving international cooperation
21	HRC	20th	10/04/2012	A/HRC/20/23	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephass Lumina
22	GA	66th	05/08/2011	A/66/271	Report of the independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights

23	HRC	17th	06/07/2011	A/HRC/RES/17/7	The effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights
24	HRC	17th	10/06/2011	A/HRC/17/L.24	The effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights
25	HRC	17th	25/05/2011	A/HRC/17/37/Add.1	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephass Lumina - Addendum - Mission to Australia (7–11 February 2011) and Solomon Islands (14–18 February 2011)
26	HRC	17th	18/05/2011	A/HRC/17/37/Add.2	Report of the independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephass Lumina - Addendum - Preliminary note on the mission to Viet Nam (21 – 29 March 2011)
27	HRC	16th	13/04/2011	A/HRC/RES/16/14	Mandate of the independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights
28	HRC	17th	11/04/2011	A/HRC/17/37	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephass Lumina
29	GA	65th	23/09/2010	A/65/260/Corr.1	Report of the independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephass Lumina - Corrigendum

3	2014 25th session HRC	The negative impact of the non-repatriation of funds of illicit origin on human rights: Final report by the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights.	A/HRC/25/52
4	2013 68th session GA	Report of the independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights (main focus: MDG 8 – Global partnership for development: lessons for the post-2015 development framework of the United Nations)	A/68/542
5	2013 23rd session HRC	Report of the independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights (main focus: Assessment of the human rights impact of international debt relief initiatives)	A/HRC/23/37
6	2013 22nd session HRC	The negative impact of the non-repatriation of funds of illicit origin on human rights: Interim report by the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights	A/HRC/22/42
7	2012 67th session GA	Report of the independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights (main focus: impact of foreign debt on women's rights)	A/67/304
8	2012 20th session HRC	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights (main focus: guiding principles on foreign debt and human rights)	A/HRC/20/23
9	2012 20th session HRC	Corrigendum – Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights (main focus: draft guidelines on foreign debt and human rights)	A/HRC/20/23/ Corr.1
10	2011 66th session GA	Report of the independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights (main focus: export credit agencies and human rights)	A/66/271

11	2011 17th session HRC	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights (main focus: draft guidelines on foreign debt and human rights)	A/HRC/17/37
12	2010 14th session HRC	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights (main focus: culture funds)	A/HRC/14/21
13	2010 65th session GA	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights (main focus: international trade)	A/65/260 A/65/260/Corr.1
14	2009 64th session GA	Report of the independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephas Lumina	A/64/289
15	2009 11th session HRC	Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of human rights, particularly economic, social and cultural rights, Mr. Cephas Lumina	A/HRC/11/10
16	2008 63rd session GA	Report of the independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephas Lumina	A/63/289
17	2008 7th session HRC	Report of the independent expert on the effects of economic reform policies and foreign debt on the full enjoyment of all human rights, particularly economic, social and cultural rights, Bernard Andrew Nyamwaya Mudho	A/HRC/7/9
18	2007 4th session HRC	Report of the independent expert on the effect of economic reform policies and foreign debt on the full enjoyment of all human rights, Bernard Mudho	A/HRC/4/10
19	2006 61st session GA	Report of the independent expert on the effects of economic reforms policies and foreign debt on the full enjoyment of all human rights	A/61/464
20	2006 62nd session CHR	Effects of economic reform policies and foreign debt on the full enjoyment of all human rights, Report submitted by the independent expert, Bernard Mudho	E/CN.4/2006/46
21	2005 61st session CHR	Report submitted by Mr. Bernard Mudho, independent expert on the effects of structural adjustment policies and foreign debt on the full enjoyment of all human rights, particularly economic, social and cultural rights	E/CN.4/2005/42

Source: (UN, 2014)