

## The Drago Doctrine and Today's Debt Crisis

*Venezuelan Foreign Minister Elías Jaua Milano, speaking at the July 3 meeting of Foreign Ministers of the Organization of American States, drew out the implications of the 1902 Drago Doctrine for the organization's member-states today:*

I want to begin by reading these paragraphs on the subject before us:

“The creditor is aware that his contract is with a sovereign entity; and it is an inherent condition of sovereignty that executive procedures cannot be initiated or carried out against it, since that type of collection would compromise its very existence, causing the independence and action of the respective government to disappear.

“Among the fundamental principles of public international law which humanity has consecrated, one of the most precious is that which determines that all States, regardless of the power at their disposal, are legal entities—perfectly equal among themselves and thereby, in reciprocity, deserving of the same consideration and respect.

“Recognition of the debt and its liquidation can and must be carried out by the nation, without in any way undermining its fundamental rights as a sovereign entity; but, at a given moment, compulsive and immediate collection of payment by force could only result in the ruin of the weakest nations and their absorption by the powerful of the Earth. . . .

“Your Excellency will understand the sense of alarm which has arisen upon learning that Venezuela's failure to pay the service on its public debt is one of the reasons for the detention of its fleet, the bombardment of one of its ports, and the military blockade rigorously established along its coasts. If these procedures were to be definitively adopted, they would set a dangerous precedent for the security and peace of the nations in this part of America.”

These paragraphs are extracts from a letter written on Dec. 29, 1902, by Argentine Foreign Minister Luis María Drago, in the name of his president, Julio Roca, and sent to the United States government of then-President Theodore Roosevelt, in defense of a Venezuela



OAS/Maria Patricia Leiva

*Venezuelan Foreign Minister Elías Jaua Milano: “Who are they who think they have the right to deprive people of the right to food, health, integral development—to life itself? Who, and under what ethical or moral precept do they arrogate to themselves the right to loot entire nations?”*

blockaded, bombarded, and invaded by the European powers of the day, not only to collect a debt, but to overthrow a nationalist government, that of Gen. Cipriano Castro, for having revoked the unconscionable conditions by which these countries exploited our natural resources and managed our services.

That letter became a doctrine, the Drago Doctrine, which established the principle that no sovereign State can be obliged to pay a debt by force, let alone be embargoed.

For us Venezuelans, that letter, which is an expression of courageous solidarity, remains engraved in our historic memory, and won a place for the Argentine nation in the deepest affections of the Fatherland of Simón Bolívar. . . . That is why, 112 years after that letter of the worthy Foreign Minister Drago, we have come in the name of our government and our people to say that Argentina cannot be compelled to pay under unacceptable conditions a debt which is immoral, with clear elements of illegality.

One hundred and twelve years ago, European gunships and destroyers were positioned off the coast of Venezuela. Today the United States Supreme Court, U.S. courts, and the risk rating agencies, at the service of the so-called vulture funds, besiege Argentina. . . .

Illustrative cases of [the vulture funds] were seen

when Donegal International bought a debt for \$3 million, a debt contracted in 1979 by Zambia and Romania for the purchase of some tractors. Donegal's claim against Zambia—under the threat of confiscation of even its natural resources—was for *\$55 million* in order to relinquish execution of the credit. The London Supreme Court compelled Zambia to pay \$40 million, which paid off almost the whole principal and interest on the financial claim.

In 1966, Elliott Associates Corp. acquired a Peruvian debt for \$11 million; four years later, it sued Peru in a New York court for *\$58 million*, likewise under the threat of an embargo of national assets outside the country.

At this moment, Elliott has a claim against Congo Brazzaville for *\$400 million* for a debt it bought for \$10 million.

## **Redesign the Financial System**

How many lives could be saved with \$400 million? How many people could eat with that amount of money?

Calculating on the basis of current international prices, with \$400 million, 13.5 million doses of anti-malaria medication could be purchased. It would also allow purchase of 56.3 million doses of pediatric hepatitis A vaccines, 1.333 billion doses of oral polio vaccine, and 28.3 million doses of pediatric pneumococcal conjugate vaccine.

\$400 million would make a huge difference in world efforts to put an end to hunger. With that sum, you could buy 91,743 tons of powdered milk. Likewise, you could buy 930,233 tons of rice or 64,000 tons of beef to feed the people of the world.

Who are they who think they have the right to deprive people of the right to food, health, integral development—to life itself? Who? And under what ethical or moral precept do they arrogate to themselves the right to loot entire nations?

Ministers, let us do more than issue a call. Let us set ourselves the pressing task of redesigning the international financial economic system. . . .

What is happening today to Argentina, is happening to all of the countries in this Organization. Let us be conscious of the ever-greater deterioration of the capitalist international financial-economic system. The decision of the U.S. court against Argentina sets a precedent for possible sovereign debt restructuring processes in the future. . . .

I once again bring the Drago Doctrine to this discussion.