The New York Taxpayer and International Debt Crises Protection Act and the Caribbean

The New York Taxpayer and International Debt Crises Protection Act sponsored by Senator Brad Hoylman-Sigel and Assemblymember Patricia Fahy (S.4747/A.2970) supports debt relief for developing countries and provides immediate protections against vulture funds and financial crises.

Caribbean countries, feature some of the highest debt levels in the world and many Caribbean economies are at breaking point. Many of these economies stand to benefit the most from the New York Taxpayer and International Debt Crises Protection Act (A2970/S4747). Before the pandemic, debt in Caribbean countries already stood at a high of 70% of their economic size, and has now increased to 90%. Rising interest rates in major central banks continue to push debt payments even higher for Caribbean countries. Caribbean countries are also among the most vulnerable to climate-related disasters that periodically devastate their economies and saddle them further into debt as they lack cheap access to funding to support rebuilding efforts. One of the strong benefits of the New York Taxpayer and International Debt Crises Protection Act is that it can provide aid for climate mitigation and adaptation that Caribbean countries desperately need.

Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, Saint Lucia, St Kitts and Nevis, St Vincent and the Grenadines, Suriname and Trinidad and Tobago, are just some of the countries in the region that confront the greatest debt challenges and benefit from the Hoylman/Fahy bill (S4747/A2970). The majority of the world's private debt is governed by New York law because New York is the financial capital of the world.

Caribbean countries need immediate access to debt relief, to spend money on health, social and climate investments. They need to strengthen health and social systems that will protect their citizens and all of us against the spread of pandemics, and make their countries more resilient to protect their most vulnerable against climate disasters.

Public creditors have processes in place that could provide debt relief, but countries that attempt to take advantage of them face the threat of vulture funds and private firms attempting to litigate and secure full payment of their credits, plus expensive legal fees. Vulture funds – companies that buy debt for pennies on the dollar and sue to recover the full amount – are among the ones that profit the most from existing arrangements and the lack of legislation like the Hoylman/Fahy bill (S4747/A2970). Ecuador, Panama, Zambia, Democratic Republic of Congo, Sierra Leone and Liberia, as well as the US territory of Puerto Rico, are just a few of the countries and economies where vulture fund litigation disrupted debt restructuring or relief agreements.

As the Hoylman/Fahy bill protects also the NY economy, it will also help preserve remittances that flow to Caribbean countries from workers, taxpayers and consumers living in the state.