**Headline:** Imagine You Are a Poor Nation, Trapped by Debt and Strangled by Climate Change—What Are Your Options?

**Teaser:** Climate change, debt, and development have a caustic relationship, hindering economic justice and national advancement, but solutions exist.

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**[Article Body:]**

Imagine you are a low-income country. You suffer from a heavy debt burden. You’ve been trying to catch up to the more affluent countries for decades, but you’ve been unsuccessful, mainly because of that debt hanging around your neck like a giant millstone. And you are spending more and more of your precious resources dealing with the effects of climate change, from rising waters to superstorms, a crisis that you played only a small part in creating in the first place.

You face a terrestrial version of the three-body problem. These three “bodies”—debt, development, and climate change—impact your country in difficult-to-predict ways. More importantly, just like in Liu Cixin’s novel [*The Three-Body Problem*](https://en.wikipedia.org/wiki/The_Three-Body_Problem_%28novel%29) and the Netflix series of the same name, those interactions have led to one disaster after another.

The rich world offers its own solution to this three-body problem. The international community has decided that [all countries must cut their carbon emissions](https://greenly.earth/en-gb/blog/ecology-news/climate-change-in-2022-where-do-we-stand). Primarily for its own energy transition away from fossil fuels, the rich world has also negotiated with countries that possess significant deposits of “critical raw materials” to prioritize the delivery of those minerals to its battery factories and solar panel manufacturing sites.

Meanwhile, wealthy nations have offered very little debt relief, although they have developed new “instruments” like “debt-for-climate” swaps to achieve the goal of lower carbon emissions. Although potentially useful, these instruments [don’t significantly reduce](https://www.cgdev.org/blog/debt-climate-swaps-wont-solve-climate-or-debt-crises-can-they-help) emissions (because the countries involved are not major emitters) or debt (since the money involved so far is relatively modest).

Based on this particular solution to the three-body problem, you, as a low-income country, won’t see much relief. Meanwhile, if you rely heavily on fossil fuels and associated infrastructure, it’s becoming increasingly difficult to use those instruments to jump the development gap while adhering to voluntary pledges to achieve carbon neutrality by around 2050.

Perhaps you have some of the minerals, such as lithium, nickel, and cobalt, that are in high demand for the “clean energy” transition in wealthy nations. You can make some money there, but only as a raw material extractor. The rich world has been using free trade agreements and intellectual property protections to limit technology transfer and restrict your ability to rise higher in the value chain by processing ores or making your own lithium batteries and electric vehicles.

You’re stuck. You can’t break into the new “clean energy” economy, except at the bottom floor, and you are constrained from using old-fashioned fossil fuels. Meanwhile, you’re drowning: figuratively in debt and literally in the rising waters of climate change.

“Rich countries have a monopoly on decision-making in the World Bank and IMF, they hold most of the bargaining power in the World Trade Organization, they use their power as creditors to dictate economic policy in debtor nations, and they control 97 percent of the world’s patents. … The [wealthy nations] and corporations leverage this power to cheapen the prices of labor and resources in the… [poor nations], which allows them to achieve a net appropriation through trade,” stated a 2021 Opinion [piece](https://www.aljazeera.com/opinions/2021/5/6/rich-countries-drained-152tn-from-the-global-south-since-1960) in Al Jazeera.

In Liu Cixin’s universe, people dehydrate themselves to survive successive planetary crises. That’s not an option in our world. However, as a low-income country, you have other alternatives.

**Working Within the System**

It’s time, UN Secretary General António Guterres [announced in June 2024](https://spectrumlocalnews.com/nys/central-ny/environment/2024/06/06/un-chief-wants-a-tax-on-profits-of-fossil-fuel-companies--calling-them--godfathers-of-climate-chaos), for “the godfathers of the climate chaos” to use their money toward solving the problem they created, mainly by paying a “windfall tax” on their profits. Going after oil, gas, and coal companies makes a lot of sense. Addressing the climate crisis will require trillions of dollars. Oil and gas companies collectively [make hundreds of billions](https://www.theguardian.com/business/2022/may/13/oil-gas-producers-first-quarter-2022-profits) of dollars, so it’s a no-brainer to follow bank robber Willie Sutton’s advice and go “where the money is.”

However sensible it might be, this approach is not transformative. A windfall profit tax will redistribute some of the money made by these companies, but it won’t reduce their production of toxic substances. Indeed, it might even prompt these companies to pump out more oil and gas to maintain high profit margins. Also, it seems counterproductive to associate your monetary solution to the problem of rising carbon emissions with the success of the very businesses committed to increasing emissions.

A windfall profit tax won’t drive these companies out of business or even cause them to shift to a different kind of business. However, coupled with stricter industry regulations, such as severely limiting the carbon emissions of the oil and gas facilities and products or restricting where and how they conduct their operations, it could have a favorable effect.

The challenge facing the international community today isn’t the result of a few bad actors, such as oil companies, or even a few bad policies. It is a systemic crisis that derives from a particular type of manufacturing and agricultural practice, an addiction to extraction, and patterns of overconsumption by rich nations. It’s hard to imagine such a system reforming itself, any more than a car can fix its engine as it barrels down the road.

Still, a proposal like the fossil-fuel windfall profit tax can at least generate some funds to ameliorate the situation. As does another proposal that has gathered support from several low-income countries, which Prime Minister Mia Mottley of Barbados has put at the heart of her [Bridgetown Initiative](https://www.bridgetown-initiative.org/)—a call for urgent and decisive action to reform the international financial architecture.

This proposal involves the distribution of [Special Drawing Rights](https://www.imf.org/en/Topics/special-drawing-right) (SDRs), “an international reserve asset created by the IMF to supplement the official reserves of its member countries.” The last SDR distribution in 2021 injected [$650 billion](https://www.imf.org/en/About/Factsheets/Sheets/2023/special-drawing-rights-sdr#:~:text=General%20allocations%20of%20SDRs&text=There%20have%20been%20four%20general,billion%2C%20to%20boost%20global%20liquidity.) into the global economy. Of the 105 participating countries, 104 [were low- and middle-income countries](https://www.cepr.net/special-drawing-rights-one-year-later-by-the-numbers/). These countries could use the SDRs to address the [long-term impacts of the COVID-19 pandemic](https://www.usglc.org/coronavirus/economies-of-developing-countries), pay their debts, invest in renewable energy, or use them for any other purpose, since there were no conditions and no loans to repay.

The IMF, in issuing loans and imposing austerity conditions, has more often been part of the problem rather than the solution. However, an SDR issuance designed to help indebted countries reallocate funds to address climate change could be a welcome policy.

The IMF might reply that it has already designed a specific initiative to mitigate the climate crisis: the [Resilience and Sustainability Trust](https://www.imf.org/en/Topics/Resilience-and-Sustainability-Trust) (RST). But the RST is just another way of lending money to needy countries—and adding to their already considerable debt burden. Yes, the conditions are a little better, and the pool of money is pretty large ([$25 billion in usable funds](https://www.bu.edu/gdp/2024/04/16/how-the-imf-can-strengthen-the-resilience-and-sustainability-trust-to-promote-a-just-global-climate-transition/)). It’s supposed to play a “catalytic” role in priming the pump of private climate financing, but this [hasn’t really happened](https://www.bu.edu/gdp/2024/04/16/achieving-catalytic-impact-with-the-resilience-and-sustainability-trust/). And who says that private banks and equity firms should be the leading actors addressing the climate crisis?

A 2024 [article](https://www.lowyinstitute.org/the-interpreter/new-global-climate-finance-goal-must-balance-need-political-reality) by the Lowy Institute emphasizes the need to define climate finance to ensure these contributions include “new and additional,” stating, “Segregating reporting on climate and development flows altogether could also be a viable approach to help prevent governments from double-counting their contributions on climate and development.”

Another option is the [Loss and Damage Fund](https://unfccc.int/sites/default/files/resource/SBM013_call_for_input_annotation_removals_Climate_solution_international.pdf), which poor countries struggled to get approved at the [2023 Conference of the Parties](https://unfccc.int/process-and-meetings/conferences/un-climate-change-conference-united-arab-emirates-nov/dec-2023/about-cop-28) (COP) in Dubai. This fund aims to provide resources to the most vulnerable countries, helping them address the impacts of climate change. The money under this mechanism won’t come in the form of loans, but as grants, which won’t add to the debt burden of poorer countries. That sounds good, but the amount raised so far is only [$765 million](https://unfccc.int/topics/climate-finance/funds-entities-bodies/fund-for-responding-to-loss-and-damage/pledges-to-the-fund-for-responding-to-loss-and-damage), as of March 2025. Compare that to the needs of the poor countries: Pakistan alone required [$16 billion to repair the damage from the 2022 floods](https://disasterphilanthropy.org/disasters/2022-pakistan-floods/).

Worse, the new fund is being housed at the World Bank (perhaps temporarily or permanently). Talk about putting the fox in charge of the hen house. The World Bank promises that it is no longer a carnivorous, chicken-eating institution—but it helped create the problem in the first place, so the verdict is still out on that one. Remember what the scorpion says to the frog after it stings it to death while being ferried across the river: “Sorry, I couldn’t resist. It’s my character.” They both die, making it an unfortunately apt analogy to the interdependence of rich and poor nations in an age of climate crisis.

In 2009, countries pledged to mobilize $100 billion in climate financing annually by 2020. They finally reached their goal in 2022, raising [nearly $116 billion](https://www.oecd.org/newsroom/developed-countries-materially-surpassed-their-usd-100-billion-climate-finance-commitment-in-2022-oecd.htm). Of course, even the wealthiest countries now estimate that the target figure should be closer to [$2.4 trillion a year](https://www.eenews.net/articles/5-things-to-know-about-the-100b-climate-aid-infusion/). And, surprise, surprise, two-thirds of the money came from loans in 2021.

Some of that money is passing through the [Green Climate Fund](https://www.greenclimate.fund/), which had [nearly $13 billion in assets](https://www.greenclimate.fund/news/cop28-green-climate-fund-reaches-record-funding-level) as of 2023, significantly more than the Loss and Damage Fund. It can give out grants, but it also dispenses loans. It has a [private sector facility](https://www.greenclimate.fund/sectors/private) that’s supposed to “catalyze private climate finance,” which sounds suspiciously like turning the desperation of poor nations into a profit-making opportunity.

So, despite all these new instruments (or perhaps because of them), the debt of the poor nations remains astronomical. According to a 2023 database by [Development Finance International](https://www.brettonwoodsproject.org/2023/12/new-data-show-global-south-is-in-worst-debt-crisis-ever-with-another-lost-decade-looming/), “citizens of … [poor nations] now face the worst debt crisis since global records began.” In Africa, for instance, more than half of all government revenues go to servicing debt. Meanwhile, low-income countries have to spend more and more to deal with the impacts of climate change. How can countries expect to catch up to wealthy nations under these circumstances?

Several African nations came together in February 2025 to demand “[urgent debt relief](https://www.bizcommunity.com/article/former-african-presidents-demand-action-as-debt-crisis-reaches-historic-levels-709102a)” at the launch of the African Leaders Debt Relief Initiative. The former Nigerian President, Olusegun Obasanjo, stressed that the crisis facing Africa was the worst seen in 80 years.

A March 2025 article in African Business [pointed out](https://african.business/2025/03/finance-services/the-global-souths-vicious-cycle-of-climate-debt) that “[n]early 60 percent of the developing economies most vulnerable to climate change are also at considerable risk of fiscal crisis.” Referring to UN and OECD data, the article stated that some initiatives funded by wealthy nations, which are responsible for high carbon emissions, are “funneling billions of dollars back to these rich countries.”

**Transform the System**

Remember, you’re a poor country. Let’s say you’re Indonesia, which means that you’re the 16th largest economy in the world and the 10th largest emitter of greenhouse gases, [according](https://documents1.worldbank.org/curated/en/099061223091012012/pdf/P18027005b4a500a095a00570ce2e0f1d0.pdf) to a 2023 World Bank report. This is thanks to your overreliance on coal-fired power plants— [254 of them](https://eastasiaforum.org/2024/04/24/indonesias-burning-coal-dilemma/), to be exact.

You also face some pretty serious effects of climate change—not in some hypothetical future but right now. [Seventy percent](https://unsdg.un.org/latest/blog/riding-waves-blue-future-indonesia?afd_azwaf_tok=eyJhbGciOiJSUzI1NiJ9.eyJhdWQiOiJ1bnNkZy51bi5vcmciLCJleHAiOjE3NDQ3MzcyODYsImlhdCI6MTc0NDczNzI3NiwiaXNzIjoidGllcjEtNTg5NTQ0YjQ5Yy1uZGo3aiIsInN1YiI6IjMyNjo3MDpmMDljOmYwMzg6Zjc3OTpkM2IxOmJmZGM6MTk5OSIsImRhdGEiOnsidHlwZSI6Imlzc3VlZCIsInJlZiI6IjIwMjUwNDE1VDE3MTQzNlotMTU4OTU0NGI0OWNuZGo3amhDMUVXUjUyMGMwMDAwMDAwMHkwMDAwMDAwMDAyZXFoIiwiYiI6IlF3WDFBS3I4WDVaSHhkOVFhaVpOdXFMZnNRekZxOW5pVU45UDlxNDVLaTgiLCJoIjoiUlVReWFVY0pFRkp2ZXJrS19xZEFyTUpadU4yU3dhRHNRbXFjWnhnLXB4VSJ9fQ.CM93ZOD3bjKP6ilg5JiTgTj7zCiIlcHmEVqjpGag6DEkHRVanufF7wpXsnBQR-K-3-tRrkkXFSAJOoipR1lyS_wDWVxtri5CglaKTIc-J_JA761wF2HnziRW89uZ5ZFwcTVtUz_CkbQmUuOezmZlu8OgNvfh1cUY75-Pbwv-iD-sXuLImuwqjrSigknXZouygjc_Vc3DiTB6Xq2pJuGeojH17I0lDnTjz1fs6CpnUen0SUL029zM_iA1-1lM2Ry-1tXoaOTlsvv3__hrXa4WyjOQ2pJaAIt0EDQNBQtuLxvLjeXyzagmWUO9eey98XFzEucElpeXjCIvHJSehi6jaQ.WF3obl2IDtqgvMFRqVdYkD5s) of Indonesia’s population lives on the coasts and experiences now-routine flooding, and your capital city of Jakarta is [sinking inexorably](https://www.nytimes.com/interactive/2017/12/21/world/asia/jakarta-sinking-climate.html) below the water line, with the World Economic Forum [predicting](https://www.weforum.org/stories/2019/09/11-sinking-cities-that-could-soon-be-underwater/) that most of the city could be underwater by 2050. (which is why you’re [spending $45 billion](https://www.trade.gov/market-intelligence/indonesia-new-capital-city-nusantara) to build a new capital in the forests of Borneo). You desperately need money to wean yourself off fossil fuels, especially coal, of which you’re the world’s [largest exporter](https://www.developmentaid.org/news-stream/post/193549/top-largest-coal-exporting-countries).

Fortunately, you also have some other valuable resources to sell. Indonesia is the [world’s largest producer](https://mine.nridigital.com/mine_apr24/top-10-nickel-producing-countries-2023) of nickel, a [valuable component](https://www.innovationnewsnetwork.com/nickel-mining-powering-clean-energy-transition/26658/) in the manufacture of lithium-ion batteries for electric cars, among other uses.

You also have a lot of debt: [more than $500 billion](https://www.thejakartapost.com/opinion/2024/03/12/threat-to-debt-sustainability.html). And nearly [50 percent](https://indonesiabusinesspost.com/2136/Politics/president-elect-prabowo-plans-to-increase-indonesias-debt-ratio-to-near-50-percent-of-gdp) of the gross domestic product goes to servicing this debt. Ordinarily, you’d be caught in a familiar downward spiral. You extract nickel and sell it. You earn some foreign currency but spend half of it on servicing your debt. Meanwhile, Jakarta continues to sink beneath the waves.

But you, as Indonesia, decided to do something different. First, you banned exports of raw nickel so that you wouldn’t be caught at the bottom of the supply chain as a mere provider of unprocessed ore. Then you brought in Chinese capital to upgrade your capacity to process nickel for batteries so that you could capture more of the ore’s value. This “resource nationalism” is ultimately designed to produce batteries in Indonesia.

South Korea pursued a similar strategy to create a steel industry and become a major shipbuilder, which helped the country jump from a roughly Ghanaian [GDP level](https://cepr.net/documents/publications/econ_growth_2005_11_27_table_1.htm) in 1960 to becoming one of the top economies in the world. Except that this time around, the rich countries are not willing to open their doors to Indonesia.

The European Union filed a suit at the World Trade Organization against Indonesia’s export ban and [won in 2022](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7314). Meanwhile, Indonesia’s efforts to [create](https://www.cnn.com/2022/12/05/business/indonesia-nickel-opec/index.html) a nickel cartel, similar to what oil producers established with OPEC, have also stalled. With the increase in global production, the price of nickel [fell by more than 40 percent](https://www.mining.com/web/from-green-hype-to-bailouts-the-nickel-industry-has-imploded/) in 2024.

In addition to the [negative environmental impacts](https://www.wbur.org/onpoint/2024/03/14/nickel-power-prosperity-indonesia-green-metal-energy) of nickel mining and the [community opposition](https://news.mongabay.com/2024/02/indonesian-nickel-project-harms-environment-and-human-rights-report-says/) to nickel mines around Indonesia, this “resource nationalism” does not provide an obvious solution to the three-body problem. But that hasn’t prevented countries with other concentrations of critical minerals, such as [Argentina and lithium](https://www.mining.com/web/argentina-is-about-to-unleash-a-wave-of-lithium-in-a-global-glut/), and [Chile and copper](https://www.trade.gov/country-commercial-guides/chile-mining), from dreaming of similarly flipping the script on the wealthy nations.

Even though Indonesia hasn’t quite figured out the most feasible formula, its impulse is right: to extract more value from its precious commodities, as [Botswana has done with diamonds](https://fpif.org/africas-success-story/).

Governments of poor nations have devised various ways of subverting the neocolonial aspirations of richer countries. They have established South-South economic cooperation, including the famous BRICS. They have proposed organizing a kind of [debtors’ cartel](https://kobra.uni-kassel.de/bitstream/handle/123456789/2015091449024/New_Research_in_GPE_2_2015.pdf?isAllowed=y&sequence=1) to form a united front to extract better terms from creditors. They have demanded looser rules for intellectual property rights, as enshrined in free trade treaties, so that they can adapt technologies prevalent in the rich world and that are profitable for helping to grow their industries.

More radical proposals come from the community level. The successful 2023 referendum in Ecuador to keep the oil underground in Yasuní National Park [points](https://fpif.org/the-race-to-end-fossil-fuel-production/) to a more direct confrontation with the fossil fuel industry. Movements that reject the hyperindustrial, consumerist model of wealthy nations, which has also become prevalent in low-income countries, promote more local traditions of a good life, or *buen vivir*.

Such post-growth alternatives also challenge the inexhaustible demand for energy in wealthy nations that underpins both the old extractivist model connected to fossil fuels and the new extractivism generated by the “clean energy” transition.

Another source of funds that exists outside the Bretton Woods institutions, such as the World Bank and the IMF, is the money that workers (many of whom are temporarily located in rich countries) send back to their families in poor countries in the form of remittances, amounting to nearly [$860 billion](https://www.migrationdataportal.org/themes/remittances#:~:text=Globally%2C%20remittance%20flows%20are%20estimated,in%202024%20(ibid.).) in 2023. Compare that to what the IMF lent in 2023, a mere [$5.7 billion](https://www.imf.org/external/pubs/ft/ar/2023/what-we-do/lending/). That figure for annual remittances is almost identical to the total amount the World Bank has loaned between 1945 and 2023: [$857.7 billion](https://thedocs.worldbank.org/en/doc/a60d0e2b975a3b94bc5cfbaa8e1cb269-0090012023/related/WBAR23-App-FY23-Lending-Presentation.pdf).

Is it possible to [“green” remittances](https://www.sciencedirect.com/science/article/pii/S0301421523000861), for instance, by setting up a green reconstruction fund that waives the usual transfer fees if workers deposit their money into the bank and earn interest as long as families withdraw the money to use on projects that reduce carbon emissions and promote sustainability? This would be a debt-free way to transition to energy from the bottom up.

**Toward a Solution to the Three-Body Problem**

Debt cancellation was once a central plank of the anti-globalization movement. Then, the spread of neoliberal economics to every corner of the globe muted that message.

West Germany’s experience after World War II is instructive. In the London Debt Agreement of 1953, the United States, the UK, and France effectively canceled [more than half](https://academic.oup.com/ereh/article/23/1/1/4995332) of Germany’s external debt. It established generous repayment terms for the remaining amount.

This was done while the Marshall Plan was providing West Germany with considerable resources for its post-war reconstruction. The rationale for this ambitious plan was to ensure that West Germany would be a solid and economically successful bulwark against the Soviet Union and communism.

The main lesson is that debt cancellation is a crucial component of a global energy transition, and substantial reconstruction funds must also accompany it. What would be the overarching rationale for the cancellation? To ensure that low-income countries constitute a strong and economically successful defense against climate change. This is the ultimate solution to the three-body problem, one that guarantees a truly just energy transition, enables poor nations to catch up to the wealthy ones, and, in the end, saves the planet.