SOUTH CENTRE

POLICY BRIEF

No. 26 June 2016

Debt Dynamics in China - Serious problems but an imminent crisis is unlikely

By Yuefen LI*

Special Advisor on Economics and Development Finance, the South Centre

Recently, there have been many articles in the international media predicting that China is facing an imminent financial/debt crisis worse than the 2008 US subprime crash. However, a closer look at the debt dynamics in China highlights some fundamental differences between the debt situation of the source country of the 2008 global financial crisis and that of China. Facts point to worrisome debt trends and problems, in particular with the corporate sector and the fast credit expansion, but would not support the current gloom and doom predictions.

Debt denominated in foreign currencies is around 12% of the GDP in 2015 according to the World Bank data, dwarfed by China's foreign exchange reserve as well as assets held abroad. This ratio is much lower in comparison with many developing countries including some Asian countries growing at a faster rate than China. In addition, China also runs a relatively big current account surplus. Therefore, currency mismatch in debt position is not a problem for China.

How about domestic debt? According to data from the Ministry of Finance of China as well as Moody's, public debt is around 39 percent of GDP at the end of 2015, a manageable rate and lower than that of many advanced economies. The Achilles heel is corporate debt which is very high at about 160% of GDP[1]. The most dangerous trend is the speed of the debt accumulation which carries systemic risks if not addressed very quickly.

However, the mitigating factors are, firstly , China's debt is predominantly domestic, especially after the fast deleverage of corporate foreign debt in 2015 and secondly, China's gross savings are close to 50% of GDP[2]. On the other hand, household debt is relatively low and savings are high, which is an important cushioning factor. The analysis from the IMF economists also confirms that there is a healthy risk-sharing across households and corporations. Countries that save more can afford to borrow more. Besides, certain features of the Chinese economy allow corrective measures to be taken more quickly than some other economies. For instance, capital control measures and state ownership of some systemically important banks can provide the government with more policy space in times of need. A comforting fact is that the high leverage issue is not a problem that the government is not aware of. As the Associate Managing Director of Moody's Investors Service stated recently at an interview at CNBC[3], "Not only do the (Chinese) authorities know what the situation is, but they have the tools and the intention, the willingness to address the issue (of) high leverages."

I. Size and composition of China's debt problem

According to the latest publicly available data from Moody's dated 10 May 2016[4], the total debt of China, which includes all categories of liabilities, was at 280 percent of GDP, approaching US $30 trillion in nominal dollar terms. The McKinsey Global Institute's report[5] stated that in 2014, this ratio stood at 217 percent for China. Comparatively speaking, China's debt to GDP ratio in 2014 was lower than some developed countries including Japan at 400 percent, Ireland at 390 per cent, Singapore at 382 percent, Belgium at 327 percent, Netherlands at 325 percent, Greece at 317 per cent as well as Spain, Denmark, Sweden, Italy, United Kingdom, United States, South Korea and Canada. However, the ratio was higher than almost all the developing countries except that of Hungary and Malaysia.

China's debt is predominantly domestic and external debt is low: According to Moody's, China's domestic debt is at 196.8 percent of GDP and external debt was 8.6 percent in 2014[6], 7 percent in 2015. External debt is much lower than many emerging and developing economies. Thus, China does not have difficulties in servicing its external debt at all. The IMF's latest regional report stated that[7] foreign bank claims on China account for $1 trillion.[8] Foreign direct investment and portfolio equity together account for 70 percent of China's external liabilities, a much safer structure of liabilities than debt denominated in foreign currencies. Its net international investment position is about 1.6 trillion or 15% of GDP.

Central government debt is not high but local government debt is huge: China's public debt has risen markedly, to 40.6% of GDP at the end of 2015, according to Moody's estimates, from 32.5% in 2012.[9] The central government debt was at 17 percent of GDP in 2015. This ratio is still below the public debt to GDP ratios of major ad-

* The author is responsible for all errors and mistakes.

vanced economies. When using the IMF's augmented way of calculating public debt which covers all types of local government debt including bank loans, bonds, etc., it would be about 60 percent of GDP for 2015.[10]

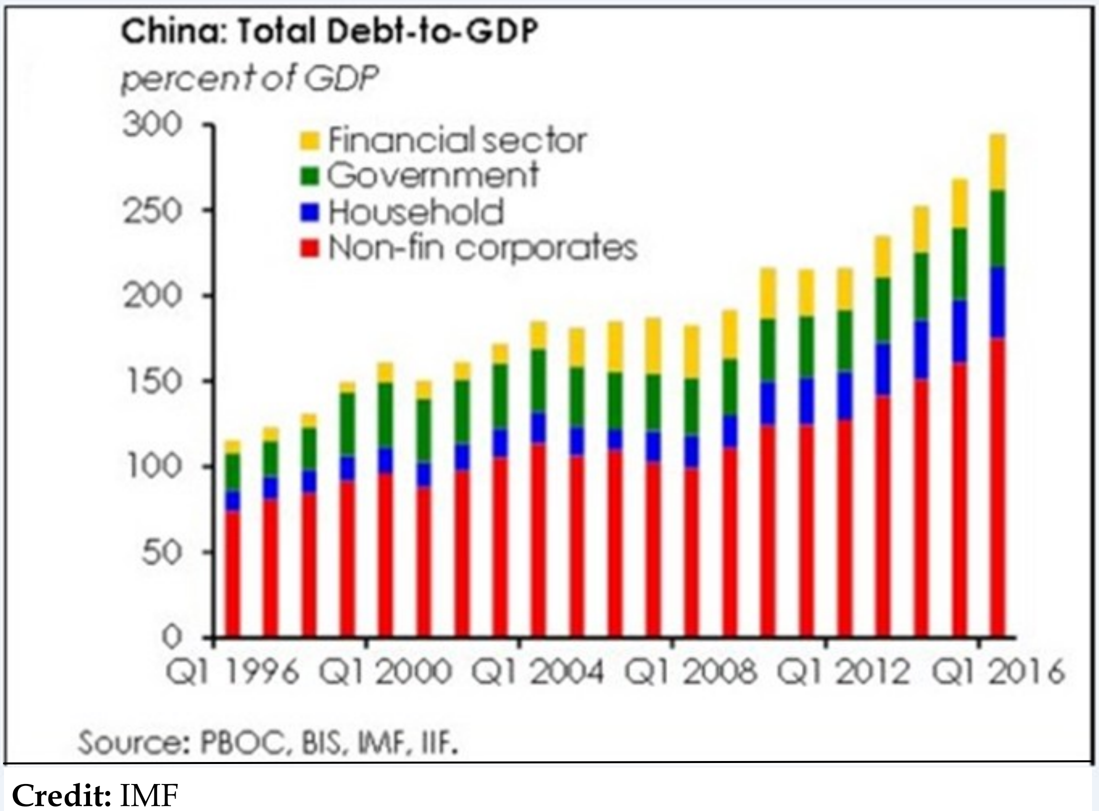
Household debt is low and savings are high: Households now have debt equal to 38% of GDP. Much of the debt is concentrated in house mortgages which are considered as high quality collaterals. The probability of defaulting on mortgages is low. On the other hand, savings by households are high, their total liquid assets in the Chinese banking system amounted to 80% of GDP in 2015. There are many reasons to the high savings rate. An important one is the changing demographic pattern with an increasing aging population. Combined with the lack of a good social security system, it has become a major force driving the trend of high precautionary saving in China. Households continue to have confidence in the banking system making the Chinese banks relatively liquid and a financial crisis led by drying up of liquidity less likely.

Corporate debt is high: The most vulnerable part of the composition of the Chinese debt is its corporate debt which stands at 160% of GDP. Moody's data reveals that liabilities of about 115% of GDP are owed by state owned enterprises (SOEs).

Though the size of the corporate debt is alarming, it should not be understood as the government being exposed to contingent liabilities as big as 160% of GDP. This is because most of the SOEs are financially healthy and pose no risk of needing direct or indirect government support. According to Moody's, about 20-25% of GDP of debt owed by SOEs may require to be restructured.[11] The IMF warned that the corporate debt could result in bank losses equal to 7 percent of GDP,[12] not as large as the debt restructuring-resulted bank loss as implied by Moody's though still significant.

On the other hand, much of the corporate debt is either bank loans or domestic onshore bonds rather than offshore bonds. Seeing that the cost for floating corporate bonds are much cheaper than bank loans, Chinese corporates have rushed to the domestic bond market in recent years, pushing the ranking of the Chinese bond market to the world's third largest with the current size of around US$ 7.7 trillion, just behind the United States and Japan.[13] According to the Chinese central bank, the interest rate for bank loans in the first quarter of 2016 was 5.7 percent across all maturities while the yield on 10-year AAA-rated corporate bonds averaged only 3.8 percent in line with data from main bond clearing houses. Such a huge cost differential in borrowing may have resulted in arbitrage and distortion in the financial market. Corporate debt also highlights the need for economic structural reform especially for the sectors with overcapacity. For instance, labor intensive textile enterprises tend to have higher debt and non-performing loans (NPL). Basically, the old economy firms (mining, manufacturing, construction, real estate, public administration, etc.) borrowed the most, accounting for 64% of total loans in recent years.[14]

Many Chinese corporates have started repaying their foreign borrowing since 2014 or even earlier. According the Bank of International Settlement,[15] an important part of the massive outflow of capital from China since June



Credit: IMF

2014 was partly a reflection of Chinese corporations repaying their foreign debt. The third quarter of 2015 alone saw Chinese firms' net repayment of foreign currency debts cross-border at $34 billion.[16] The deleveraging by the corporate sector in foreign debt is positive for China's financial stability as it further lowers the risk of currency crisis.

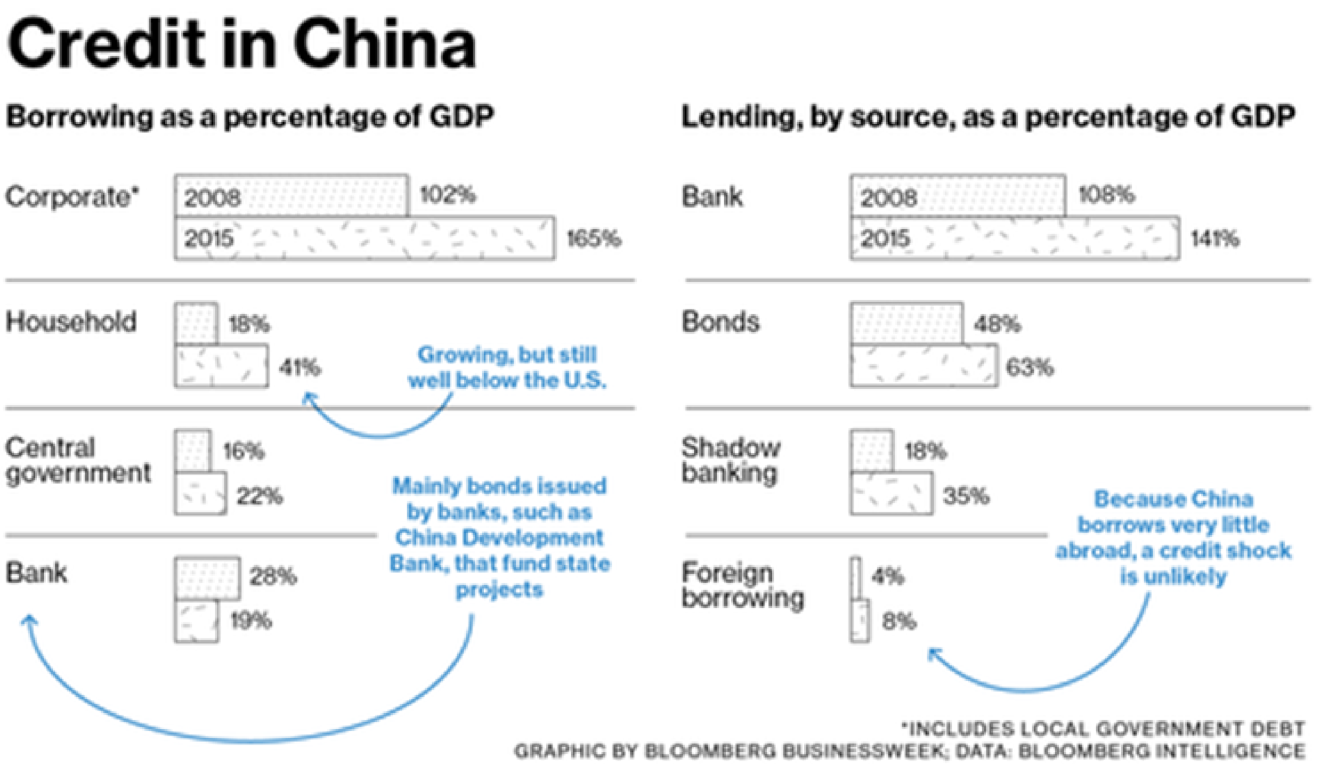
II. Systemic financial and economic risks posed by the debt burden

Though the size and composition of China's debt does not support the prediction of an imminent debt crisis in view of its asset position, they do expose some underlining systemic financial and economic risks.

Breathtaking speed of debt increase and diminishing returns: Economists have often used such adjectives as "neck breaking" and "breathtaking" to describe the fast economic growth of China in the 1980s and 1990s. Right now the same two words could be borrowed to describe the increase of the Chinese debt burden. At the onset of the global financial crisis in 2008, China's debt to GDP was approximately between 164% to 170% according to different data sources. Comparing with the current 280% of debt to GDP ratio, the past 7 years have witnessed a tremendously dangerous debt built up. Externalities like the global financial crisis and the resultant low aggregate demand is a factor. China's deliberate self-chosen structural transition from a trade and investment driven growth model to one which relies more on domestic consumption and service industry could be another reason. However, this fast increase of debt also exposes some distortions and systemic risks. The following chart from Bloomberg shows the changing pattern of borrowing and lending by various entities between 2008 and 2015. Central government debt increase was not big but corporate debt increase was huge. Lending by the shadow banking sector and bonds increased fast.

The alarming phenomenon is that the already fast credit increase has picked up speed in 2016. Credit growth in the first quarter of 2016 was reported to be up 58% over the same quarter in 2015 at 7.8 trillion Chinese yuan.[17] The first round of expansionary credit policy in response to the global financial crisis in 2008 had some positive effects to counter the negative effects of the global financial crisis by expanding aggregate demand. However, now the margin efficiency of credit increase has been diminishing as an increase in each unit of credit in China is generating lesser and lesser amount of GDP. Some economists have been debating whether this is a result of wasteful investment,[18] including lending to the so called "zombie enterprises" - enterprises which are not efficient or with overcapacity - to keep them afloat. It may also be the case that money borrowed has been kept at the balance sheet of enterprises without being invested in productive sectors. Therefore, it is high time for a close examination of credit utilization and lending policies. To use expansionary policies to stimulate the economy without looking into the absorbing power and efficiency could be counterproductive and create bubbles and wasteful investments.

Non-performing loans from the corporate sector and local governments pose threat to the banking sector: The IMF's April 2016 Global Financial Stability Report estimates that 15.5 percent of total commercial banks' loans to corporates, or $1.3 trillion (12 percent of GDP) are potentially at risk of being turned into non-performing



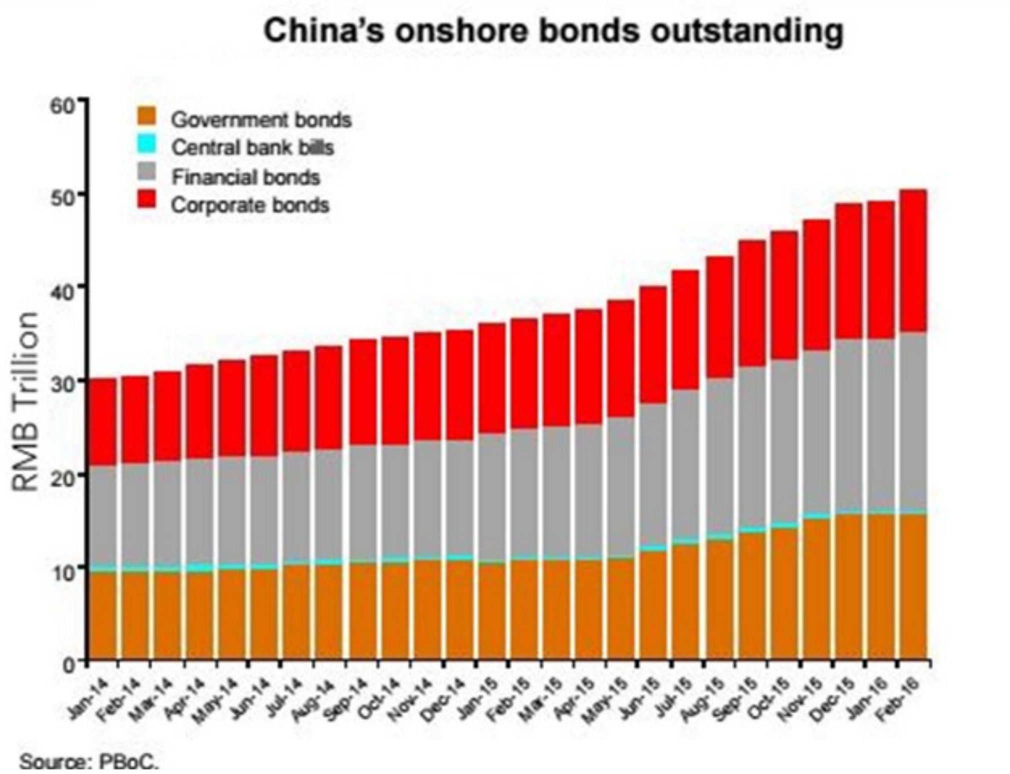
loans as the profit earnings of the enterprises do not show the ability to service their debt. In addition[19], it is doubtful that local governments have the capacity to service the debt mountain amounting $4 trillion. In May 2014, China released the national audit outcome of local government finances which found that 40% of the loans are being repaid through land sales. This shows that the local governments do not possess reliable and sustainable sources of revenue for servicing their debt. In addition, the audit also showed that already 20% of new borrowing had been used to repay old debt. Though servicing old debt with new borrowing is a frequently used strategy by borrowers, the two findings pointed to increasing risks of more non-performing loans at local government level.

In view of the potential systemic threat of non-performing loans from the corporate sector and the local governments on the banking sector, the central government has allowed corporations to swap their debt with banks in exchange for equity, named debt-for-equity swap. This kind of technique was used by other countries as well as China before. In times of good economic growth, it could be quite effective as with time the size of debt would decrease to a very manageable amount. It happened to China in the late 1990s. However, at times of slower economic growth as it is now, its effectiveness could be reduced and could even worsen the burden on the banking system as banks would be forfeited the business opportunity to receive interest and principal payments and also lose the ability to sell the equity to the central bank or other banks. The IMF published a paper in April 2016[20] to alert that the maturity transformation and liquidity transformation through the debt-for-equity swap may just kick the can down the road and would not address the problem of NPL fundamentally. Meanwhile, it could worsen the banks' asset quality. The IMF paper pointed out that although corporate debt is currently at a manageable level, it needs to be addressed with urgency in order to avoid serious problems down the road. Similarly, local governments will be allowed to swap 1 trillion yuan ($160 billion) of their existing high-interest debts for lower-cost bonds. In view of the outcome of the 2014 audit of local government debt, it seems that such a swap should also be accompanied by policies to increase local government revenue and promote efficiency of their investment.

III. An imminent debt crisis is unlikely

Despite some commentaries in the mass media about an imminent debt crisis in China, a look at the asset and liability position shows that, barring seismic global financial volatility, a debt crisis is unlikely in the short term. This is mainly because asset and liability positions at the central government and household levels are healthy. The corporate sector and local governments are the country's major problems in terms of debt, but at manageable levels for the moment.

At the central government level, the foreign reserves are still the largest in the world at more than US$ 3.2 trillion in February 2016. The central government debt is lower than many developing and developed countries. External debt is low. Even though trade surplus has been shrinking, current account surplus is still healthy. The



Credit: Trusted Sources

corporate and local government debt are predominantly domestic. Therefore, the probability of currency crisis is very low. If needed, the central government is in a position to stimulate the economy by increasing central government debt.

The savings level in China is still high and is mainly intermediated by the banking sector. An economist from Fitch rating agency commented on this unique feature of the Chinese financial system and stated that "China's financial system is dominated by banks and funded overwhelmingly by retail deposits. Both the banks and borrowers are either state-owned or heavily state-influenced. These factors suggest that the kind of collapse of confidence among creditors that might precipitate a financial crisis is unlikely in China."[21] The relatively low household debt and high savings rate is a good anchor for the financial system. It minimizes the risk of fast reduction of consumption which can have negative impact on growth, employment and investment. The IMF economists considered this as a healthy risk-sharing across households and corporates, meaning households save and the corporates borrow.

Another mitigating factor is that much of the credit is coming from the banking system and is not highly leveraged. The banking system is liquid and mainly financed by deposits. Bank deposits amount to more than 200% of GDP. The financial system in China still lacks the sophistication of the advanced economies where securitization is much more prevalent than in China. The high-yielding wealth management products (WMP) which some banks have issued for some years are mostly of long maturities and backed with sufficient capital. The government also has introduced measures to monitor and reduce the amount of the issue of WMP to make sure it should not develop into a subprime phenomenon. The China Banking Regulatory Commission noted that the provision coverage in China's banking sector had reached 180%, while the capital adequacy ratio was above 13%, positioning it well to withstand a reasonable increase in non-performing loans.[22] On the whole, China has very significant amount of highly liquid assets.

China's GDP growth rate is decent, at 6.9 percent, especially in the current world economic environment. Its growth outlook is still robust. The IMF recently revised it a bit higher while lowered GDP growth forecast for some countries.

Two factors should be also taken into consideration, namely China's capital account has not yet been not fully liberalised, though reforms are underway. Besides, government has more direct influence over state-owned banks and SOEs. Take capital control for an example. Outflow of capital has been significant in recent years. In addition to companies, ordinary citizens have also got involved in the exporting of capital reflecting the increasingly large middle class and the high savings rate at household level. As the Chinese population gets richer and the real estate prices in major cities get higher, there has been a rush to buy properties abroad. Chinese property buyers have constituted the largest group of foreign real estate investors in a few countries like the United States, the United Kingdom, Australia and New Zealand, pushing property prices in these countries. In the United States alone, there has been an inflow of US$ 110 billion between 2010 and 2015.[23] Last year, the Chinese authorities have tightened capital control and the results have already shown.

Even in the worst scenario when corporate debt and local government debt turned into non-performing loan en mass, which does not seem likely at this moment, the Chinese central government would still have tools and resources to deal with the problem. Firstly, the government has the fiscal space as its fiscal deficit is only around 3% of GDP. During the past and current financial crisis, socialization of debt has been repeatedly used even though it has been widely criticized. In times of need, China has policy space to do the same. It should be relatively less painful for China as much of the corporate debt is owed by SOEs and some large banks are state owned. However, this should not kick SOE reform down the road. In addition, as some major banks are state owned and with good liquidity positions, the government can resort to banks to step in at a scale much larger than the current swaps if the situation warrants such kind of intervention.

The Chinese government appears to be aware of the magnitude of the debt problems and has already taken measures to address the challenges. Whether or not the government has taken all the steps could be challenged, but non-action would not be the true picture…

IV. The way forward

Being the second largest economy in the world, China's contribution to the economic growth in the world has been significant, accounting for 27 percent for 2015 and 26 percent in 2014. Therefore, it is entirely reasonable and natural for the world to pay attention to and even worry about the debt problem China is facing. A financial catastrophe for China would definitely have major ramifications to the world. Even though the author believes an imminent debt crisis is unlikely, debt problems do exist and it is important for China to face to the challenges and take urgent steps to address the current problems. Even though slower economic growth and rising debt is a global phenomenon, the world would like to see China remain as a locomotive of global growth. The following may be some of the options that deserve to be considered:

Slow down the fast credit expansion and enhance investment quality: Increasing debt and lower economic growth is a legacy of the global financial crisis. Further financialisation of the world economy since the 1980s owing to financial liberalization, financial engineering and the increasingly broader coverage of internet has made borrowing by governments and other economic entities easier, more tempting, more difficult to track, easier to securitize current and future economic activities, easier to be highly leveraged and yet more difficult to regulate.

The current credit explosion in China carries the risk of a banking crisis in coming years. The corporate and local government debtare approaching critical levels. Banks and financial intermediary institutions should enhance capacity in pricing risks and improve quality of lending. An important part of the credit should be spent on productive sector to allow decent growth and debt servicing capacity. With the current debt level, credit expansion without proper design would amount to giving alcohol to a drunken person, which would only worsen the hangover. It is important to distinguish borrowing which creates wealth and return for servicing debt from borrowing which delays restructuring needs and prolongs the life span of entities which see no prospects of bringing back returns larger than the investment.

Not to deleverage would lead to the Japanese style of chronically low or no growth for decades, as high debt servicing would be a burden for economic growth and structural reform would be pushed to the future . According to estimates by UBS Securities, 10 percent of new credit went toward servicing existing debt in 2015. Such a scenario would not be tolerable for China whose economy is still at a catching up phase and the per capita income is still low.

Undertake structural reform for SOEs and taxation reform for local governments: Restructuring the SOEs would be essential for addressing the debt burden of the corporate sector and make them robust and lean. International trade and the Chinese economic model have both undergone tremendous transformation. To keep the SOEs afloat by pumping more credit into the companies would prolong the pain without value added to the Chinese economy and increase the debt burden. As for local governments, a fundamental examination and reform of the taxation system may be required to allow sustainable stream of revenue to the local governments and have a clear redistribution of financial obligations and responsibilities between the central and local governments.

Maintain economic growth: The best way of solving the debt problem would be maintaining and enhancing economic growth. Yet, it is a complicated and multidisciplinary topic. It is abundantly clear that to rely solely on credit expansion without decent return would defeat the purpose.

Live with appropriate level of debt: Excess of debt in some sectors may continue to haunt for some years. Yet, it should be pointed out that as China is still a developing country at the stage of catching up, it would need to live with some debt. There is a trade off in paying down domestic and external debt. Very often, imposing high taxation or following austerity measures would be needed to cut down expenditure and reduce debt, which can stifle economic growth and distort income distribution sometimes. Therefore, if the fiscal position is comfortable and no debt crisis is looming, to maintain some level of debt would be healthy. Organic economic growth with no debt could forego chances of faster economic growth. With China's high savings rate, it seems China can afford to have relatively high debt. But to determine what is the comfortable and optimal level of debt is not an easy job. It is a science rather than art.

Strengthen deposit insurance: Deposit insurance could increase confidence in the banking system and is considered as an option against bank run risk. Apparently, the Chinese population has confidence in the banking sector. Nevertheless, its pros and cons could be studied.

Continue with the current deleveraging policy measures: Current debt swaps for corporate and local government debt are not unique policy measures. China has used it before, as well as other governments. It would be important to undertake empirical studies and examine ways to make them more effective.

China's debt dynamics is an excellent case to demonstrate that assessing debt sustainability and tracking debt vulnerabilities is a complicated task. The macroeconomic structure, savings pattern, characteristics of the banking system, economic policies, liquidity provision and a host of other factors interact with each other. For emerging and developing economies whose domestic financial markets are neither mature nor deep, it would be necessary to strengthening capacity for effective asset and liability management in national debt management. Good data collection and reporting as well as analytical capacity to assess the assets and liabilities of the public sector including the risks of contingent liabilities arising from the local governments and public enterprises would be important. This would assist the efficient management of the risk exposure and allow timely reduction and elimination of mismatches between funding sources and spending needs and thus reduce the probability of debt crises. Addressing problems before they explode to significant proportion would reduce the costs and increase creditworthiness of these economies and most importantly minimize the probability of a debt crisis. To look at one indicator and pronounce the coming of a debt crisis would not be beneficial as there is the risk of a self-fulfilling crisis. Confidence management is an important task of the central banks and sovereign governments nowadays as with globalization and modern technology capital flows can be extremely volatile and can react quickly on news and unprocessed information without solid analysis and verification.

Endnotes:

[1] James Daniel, José Garrido, and Marina Moretti, "Debt-Equity Conversion and NPL Securitization in China: Some Initial Considerations", IMF, Technical Notes and Manuals No. 2016/5, April 2016.

[2] Steve Johnson, "Asians save, but Latin Americans spend", EM Squared, *Financial Times*, 4 May 2016.

[3] http://video.cnbc.com/gallery/?video=3000512594&play=1, CNBC, 25 April 2016.

[4] "Moody's outlines its view on China's contingent liability," Moody's Global Credit Research, 10 May 2016. Available from https://www.moodys.com/research/

Moodys-outlines-its-view-on-Chinas-contingent-liabilities--PR_348584 .

[5] "Debt and (not much) Deleveraging", McKinsey Global Institute, February 2015, Exhibit 6, page 22.

[6] "Moody's changes outlook on China's Aa3 government bond rating to negative from stable; affirms Aa3 rating," Global Credit Research , 02 Mar 2016. Available from https://www.moodys.com/research/Moodys-changes-outlook-on-Chinas-Aa3-government-bond-rating-to--PR_343931 .

[7] *Regional Economic Outlook*, Asia and Pacific, Box 2.3: China Opening Up: The Evolution of Financial Linkages, IMF, April 2016.

[8] Eswar Prasad, China's economy and financial markets: Reforms and risks, April 27, 2016. Testimony before the U.S. China Economic and Security Review Commission on the status of market-oriented economic reforms in China. *http://www.brookings.edu/research/testimony/2016/04/27-china-economy-financial-markets-prasad .*

[9] "Moody's changes outlook on China's Aa3 government bond rating to negative from stable; affirms Aa3 rating," Global Credit Research , 02 Mar 2016. Available from https://www.moodys.com/research/Moodys-changes-outlook-on-Chinas-Aa3-government-bond-rating-to--PR_343931 .

[10] Prasad, op. cit.

[11] Prasad, op. cit.

[12] James Daniel, José Garrido, and Marina Moretti, "Debt-Equity Conversion and NPL Securitization in China: Some Initial Considerations", IMF, Technical Notes and Manuals No. 2016/5, April 2016.

[13] Jennifer Hughs and Gabriel Wildau , 'China securities houses on track for record bond fees', *Financial Times*, 15 May 2016. Available from http://www.ft.com/intl/cms/s/0/0793e206-18d1-11e6-b197-a4af20d5575e.html#axzz4B4steovh .

[14] Chi Lo, "China's Debt Crisis Fears Are Overplayed", April 26, 2016.Available from http://www.barrons.com/articles/chinas-debt-crisis-fears-are-overplayed-1461658925#:pa_ALwnEBblCtA .

[15] pages 26-27 of *BIS Quarterly Review*, March 2016.

[16] Robert Neil McCauley and Chang Shu, Dollars and renminbi flowed out of China, 6 March 2016. Available from http://www.bis.org/publ/qtrpdf/r_qt1603u.htm .

[17] Bob Bryan, 'LARRY FINK: There's a '20% chance' China's debt bubble bursts,' *Business Insider*, 27 April 2016. Available from http://uk.businessinsider.com/fink-20-chance-china-debt-bubble-bursts-2016-4?r=US&IR=T .

[18] Lo, op. cit.

[19] 'China's Debt Bomb, Danger or Dud?' Bloomberg, updated 25 April 2016.

[20] James Daniel, José Garrido, and Marina Moretti, "Debt-Equity Conversion and NPL Securitization in China: Some Initial Considerations", IMF, Technical Notes and Manuals No. 2016/5, April 2016.

[21] Huileng Tan, "China hard landing unlikely but debt levels a concern: Fitch," CNBC, 5 April 2016. Available from http://www.cnbc.com/2016/04/05/china-hard-landing-unlikely-but-debt-levels-a-concern-fitch.html .

[22] Jillian Yue, "*Is China's Debt Level Reaching Crisis Level?*", China Money Network, 06 April 2016. Available from http://www.chinamoneynetwork.com/2016/04/06/is-chinas-debt-level-reaching-crisis-level .

[23] Yuan Yang , "Beijing Clampdown slows China spending spree on US property: Capital outflow curbs expected to ease upward pressure on real estate prices," *Financial Times*, May 16, 2016.

SOUTH CENTRE

Chemin du Champ-d'Anier 17
PO Box 228, 1211 Geneva 19
Switzerland

Telephone: (4122) 7918050
Fax: (4122) 798 8531
E-mail: south@southcentre.int
http://www.southcentre.int

Previous South Centre Policy Briefs

No. 17, March 2015—Towards a More Coherent International Legal System on Farmers' Rights: The Relationship of the FAO ITPGRFA, UPOV and WIPO

No. 18, May 2015—The Nagoya Protocol: Main Characteristics, Challenges and Opportunities

No. 19, July 2015—Financing for Development Conference 2015: A View from the South

No. 20, August 2015—Internationalization of Finance and Changing Vulnerabilities in Emerging and Developing Economies: The Case of Malaysia

No. 21, September 2015—Lack of Progress at the Twenty-Second Session of the WIPO SCP for a Balanced and Development-Oriented Work Programme on Patent Law Related Issues

No. 22, September 2015—The WIPO Negotiations on IP, Genetic Resources and Traditional Knowledge: Can It Deliver?

No. 23, October 2015—Guidelines on Patentability and Access to Medicines

No. 24, March 2016—Five Points on the Addis Ababa Action Agenda

No. 25, May 2016—The Right to Development, Small Island Developing States and the SAMOA Pathway