Third World debt: $159 billion

The total is 60 percent higher than usually admitted; the IMF intends to make hay with refinancing needs.

New evaluations of the size of Third World indebtedness, which requires urgent new financing, puts the figure at $159 billion, not the $95 to $100 billion normally cited in the press. This debt figure has been swollen by $44 billion in interest payments alone, due to Federal Reserve Board Chairman Paul Volcker's high interest rates.

Within this context of enormous Third World debt-refinancing needs, and the inability of the commercial banking system to handle the strain, the International Monetary Fund is making a grab for control of world lending.

The usual estimates of non-oil-producing less-developed country (LDC) indebtedness is either the $96 billion, cited by such banks as Manufacturers Hanover of New York, or the amount that it will take to refinance the non-oil-producing LDCs' current-account deficit for 1981, which IMF managing director de Larosière placed in a July 3 speech at $97 billion.

But the problem with these two numbers is that they are *mostly exclusive* of one another. The $96 billion figure is solely medium-term and long-term indebtedness of the non-oil LDCs, broken down between $62 billion in repayment of principal and $34 billion alone in payment of interest. This latter interest payment is *also included* in the statement of the Third World's current account. But the current account, which does not include medium- and long-term debt amortization, does include the trade and services, as well as invisible deficit of the Third World for this year. All of that must be financed short term, overwhelmingly through bank borrowings, in the form of 90-day loans against letters of credit, or in the form of bank loans for supplier credits. This figure is equal to the current account minus the interest payment on term debt or $63 billion in short-term borrowings to cover the current-account deficits. Included within that $63 billion is the repayment of about $10 billion in interest on short-term borrowings of this year alone.

Thus, total Third World debt is $62 billion in medium- and long-term debt amortization; $34 billion in interest on outstanding medium- and long-term debt; $63 billion in this year's current-account deficit items, inclusive of $10 billion in interest on that account alone. Total non-oil Third World debt is thus $159 billion, with a total of $44 billion in interest.

William Schwartz, chief international economist for Manufacturers Hanover bank confirmed Aug. 12, "I would say that $60 billion above current levels of medium-to-long-term debt must be added on for 1981 to cover Third World current-account deficit borrowing needs."

The banks must prepare to roll over $100 billion, yet, the scale of such financing puts the world on the path of hyperinflationary blowout, because at least the interest sum on this debt, $44 billion, requires new revenues from somewhere, as does the increment in the total debt of the Third World.

While the banks will continue to do the lion's share of the debt refinancing, the British colonial forces clustered in the directors' offices of the IMF hope to use the threat of a Third World debt blowout to impose IMF financing terms and conditionalities—the austerity conditions that reorganize a Third World country's economy—on the Third World debt-refinancing market. In this way, the IMF can shape the world in its own anti-capital-intensive perspective.

Robert Heller, chief international economist of the Bank of America, reported Aug. 12 that the IMF has increased the number of its standby agreements with Third World countries to 50 countries by the end of 1981, a tripling of the level since 1974. All these countries, even if they don't get IMF funds, will have to submit to the Fund's conditionalities. IMF loan commitments in the first seven months of 1981 total already $14 billion, a record.

But the IMF and its British controllers will use the debt crisis, which will be on the agenda of the October Cancún North-South summit, to increase IMF authority (see International). According to an aide to Shridath Ramphal, the secretary-general of the British Commonwealth, the leading demand of the Commonwealth at Cancún will be to increase the authority of the IMF and World Bank, ostensibly because they make loans at lower interest rates than the commercial banks.