

Editorial

Who Really Needs Debt Forgiveness?

An April 10 National Press Club forum on prospects for further “debt cancellation” for the Third World, displayed the International Monetary Fund’s (IMF) brittle new “hard line” on debt. It reflects desperation in international banking circles at the worsening global financial crisis, and reflects the truth—not raised at this forum except by *EIR*—that the crisis of overwhelming unpayable debt which must be cancelled, is not in the Third World.

During the “Jubilee Year” 2000, Pope John Paul II’s years-long campaign for Third World debt cancellation gained slight concessions from the G-7 nations; Italy, whose government branches are discussing Lyndon LaRouche’s New Bretton Woods proposals, led the way in forgiving foreign debt. But the overall result was a tiny, less than a half-billion dollars a year cut in interest payments by the world’s 22 poorest countries; and the IMF insisted on imposing yet more conditionalities upon the countries receiving this “relief.”

Now, pronounced the IMF spokesman April 10, any further debt cancellation—which would have to involve debts owed to the IMF, the World Bank, and subsidiaries—“is not under consideration in official circles.” His only recommendation was to eliminate all remaining protections for farming in the United States, Europe, etc., so that Third World nations could export more cheap food to the G-7 countries—a policy of economic suicide for all involved, except the international banks and resource cartels.

As chunks of the international financial system are now blowing, like chunks of a disintegrating jet engine, the IMF is desperate to be able to raise big new emergency bailout packages; the emergency loans for the Turkish and Argentine financial meltdowns both doubled in size recently, and approach \$100 billion between them. Thus, the IMF won’t write off its Third World “mortgage holdings,” no matter how worthless they were shown to be by *EIR*, and by the Carnegie-Mellon University speaker at the National Press Club forum.

It has been proven repeatedly in this publication, and by experienced economists of the developing sector, that in each region of the Third World, the nations have already paid two or three times the debt they owed as of 20 years ago—but they still “owe” twice as much as they did then! In other words, their outstanding international debts are like the 30-year mortgage loan of a homeless, jobless family whose house collapsed ten years ago, when they had already paid twice its value with interest, and whose former banker is still seeking them out under the bridge every month, demanding the new interest due to keep that mortgage loan “performing” on his books. Which one is the bankrupt?

All of the foreign debt of all the Third World nations, whether performing or not, totals \$2 trillion. But in the G-7 “advanced” countries, the strictly non-performing loans are in the many trillions, and despite desperation bookkeeping tricks, are growing at an increasing rate as the financial markets’ crisis worsens. And this does not take into account the many *tens of trillions* of so-called derivatives obligations, which under certain approaching conditions, become non-payable *en masse*, all at once.

Compared to their own non-performing loan bubbles, in their own banking systems and bond markets, the G-7 countries’ unpayable debt from Third World countries is a trifle, which could and should be completely cancelled in a monetary reform which gets rid of the desperately bankrupt IMF.

More important, the “advanced,” formerly industrial nations urgently need to *export* capital goods, machinery, and economic infrastructure to the Third World, by means of large new lines of exporting credits, in order to get out from under their own collapsing mountains of non-performing debt. This is the importance of Russian President Vladimir Putin’s current proposals for economic collaboration with Germany and Europe, as identified by Lyndon H. LaRouche, Jr. They lead to the New Bretton Woods monetary arrangement, which alone can make the *real* bankrupts sound.