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Debt crisis

# Under the yoke of the IMF

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**Regarding the new debt crisis and the results of the Counter-summit in Marrakesh, in face of the World Bank and the IMF, CADTM translated an article from [Le Courrier](#), a Swiss daily based in Geneva, in the issue published on Tuesday 17 October 2023. The article and the interview that follows were written by the journalist Bénito Perez.**

The Counter-summit in Marrakesh has shone a spotlight on the spiral of indebtedness that threatens the States of the South. Eric Toussaint, in a wake-up call to the movement for global justice, explains:

Several hundred activists opposed to neoliberal policies left Marrakesh on Sunday under the shadow of gloomy perspectives. The months ahead look likely to be months of great hardship for the populations of numerous countries of the South, threatened by what can only be called “a new debt crisis”, asserts Eric Toussaint. Toussaint was one of the initiators of the Counter-summit coordinated by about 70 organizations and networks, in a parallel meeting to the Annual Meetings of the IMF and the World Bank (see our Friday issue). The Belgian political scientist and economist, founder of the anti-debt network the CADTM, gave *Le Courrier* his analysis of the financial dimension of this umpteenth systemic crisis of Capitalism, which, like environmental damage and disruptions in health services, impact the most fragile people first.

### **What are the contours of this new debt crisis which is affecting so many States in the South?**

Eric Toussaint: Since last year, an increasing number of countries have been finding themselves unable to refinance their debt on the markets. The main cause for this is the cessation of the Quantitative Easing policies (QE) that Central Banks had engaged in after the housing and banking crises in the United States in 2006-2007, which turned into a generalized crisis of the European and North-American finance system in 2008. As well as injecting thousands of billions of dollars, euros and pounds sterling to save the banks, there was a policy of extremely low-to-zero interest rates, until 2021. Throughout that decade, States that had never been able to access the financial markets, even the poorest, like Rwanda or Ethiopia, suddenly found takers for their debt securities in Wall Street. Investment funds and banks, seeing that the returns on French or German bonds were near zero, showed an interest in financing the governments of the South against interest rates of 4%, 5% or 6%. These States then became indebted, telling their populations: “as you see, all is well, the money markets have confidence in us, we are credit-worthy”, and so on. But the moment Western Central Banks, faced with inflation, suddenly hiked their interest rates up to 5%, financiers turned once again to the bonds of the North, and the countries of the South could no longer find money to refinance their loans for less than 9%, 12% or even 15%.

The shock was aggravated by the consequences of the Covid crisis. The States had to increase their spending, especially on health, while at the same time their income was drying up, often dependent on the global market for raw materials or on tourism. Finally, we have to mention speculation on the price of cereals and oil, after the invasion of Ukraine by Russian imperialism. A great many countries of the South are net importers of those two products.

### **The QE policy was probably not viable in the long term, but what explains the sudden flare-up of inflation after over a decade without an increase?**

First of all, we have to remember that the policy of rescuing the banks was not a good idea. In fact, it also caused indebtedness of the countries of the North. As for the inflation, it was mainly the result of decisions made by big food and fuel companies to increase their profit margins, taking advantage of breakdowns in the supply chain and price fluctuations due to the Covid crises and war.

### **In the South, which countries are the weakest links of the new crisis?**

They are often those that were formerly considered star pupils by the neoliberal finance system. Take Sri Lanka, a country which had never defaulted. In the past, it had even had to drop regulation of the price of rice. Previously self-sufficient, it became dependent on the global market (Vietnam, Thailand, the United States). Then Sri Lanka invested massively in the tourist industry. But with Covid and the war in Ukraine, tourism ground to a halt and the price of cereals rocketed! By April 2022, Colombo had no choice but to suspend debt payments and stop imports; which in turn led to an explosion of social unrest.

Another example is Ghana, “a model of openness”, which also had to suspend debt servicing.

Egypt, Pakistan and Bangladesh only narrowly avoided suspension of payments thanks to the intervention of the IMF, but with the usual draconian conditionalities (privatisations, austerity, deregulation) which have already slammed down on the population.

### **What comes after Marrakesh?**

Despite the somewhat chaotic organization and the forced absence of several activists who didn't receive their visas, on Sunday the participants made a very positive assessment of the Counter-summit. The meeting for global justice was mainly African, but enriched with European, Asian and even Latin-American interventions. It reminded us how indispensable such direct exchanges are, as Monica Vargas, of the NGO Grain, pointed out. It was a unique opportunity to create a web of solidarity, all the more valued since it is so hard to travel within Africa, added Broulaye Bagayoko, the Permanent Secretary of CADTM-Africa, who also mentioned the help provided by donors.

Roos Saalbrink of the Netherlands, from the NGO Action Aid, agreed. She was in the enviable position of moving to and fro between the alternative and the official summits, as she was accompanying a group of African women suffering from austerity programmes. “We appreciated coming away from the official speeches to hear down-to-earth analyses of the IMF's promises,” she testified.

Eric Toussaint believes that there will definitely be a follow-up to Marrakesh; if only to keep up the new connections made between social movements who not long ago did not know one another. In the context of a global recession of resistance, the little spark created in Morocco must be kept alive. The militant acknowledges, however, that “many more forces need to be brought together, as several networks have remained on the fringe, if there is to be any hope of achieving a framework” for global justice coordination on a global scale. Although the CADTM will be participating in the next World Social Forum, which is to be held from 15 to 19 February 2024 in Nepal, it seems clear that the absence of Via Campesina in particular, will undermine the representativity that the WSF enjoyed in the past.

### **We should expect to see a new wave of structural adjustment policies.**

Yes indeed, this new crisis marks the triumphant return of the IMF, which always thrives best on disaster in the South. We are certainly not about to see the generalization of suspension of payments, but rather a flurry of problems that engender systematic recourse to the IMF. That institution has signed over a hundred loan agreements. The more difficulty countries have to pay their debts, the harsher and more numerous austerity programmes will become. We are talking of amounts going from a few tens of million dollars to 45 billion for Argentina, or 15 billion for Ukraine. You can imagine the power of coercion that that places in the hands of the IMF.

**Debates in the Counter-summit revealed much scepticism as to the possibility that the New Development Bank (NDB), established by BRICS [1], might provide an alternative to the Bretton Woods institutions (FMI/BM). Why?**

In our view, it is absolutely not an alternative, since it is based on the same extractivist and productivist model. The NDB, in which China plays a central role, sees Africa simply as a site for extracting raw materials or a source of underpaid labour. Its interest rates are similar to those of the IMF and the World Bank. The main difference is that it does not impose economic and political conditionalities on borrowing countries. That is what sparks the interest of many African countries. But that does not make it a development bank. It is not lending so that Africa can industrialize, but to create the infrastructure to export raw materials or to carry out prestige policies.

**What alternative is there, then? Have you seen an element of hope emerge during the Counter-summit?**

I was struck by the extent to which the social movements of Sub-Saharan Africa understand the true nature of the IMF's and the World Bank's policies. There are far fewer illusions than in the past about creditors' promises. There are more and more actors of civil society who envisage development without those bodies. By adopting alternative monetary, fiscal and judiciary policies, African States could manage without them for good.

*Translated by Vicki Briault (CADTM)*

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