Africa Report by Mary Lalevée

Squabbling among thieves

Just what should be done about Africa's debt crisis has been the subject of some recent acrimonious discussion.

Bankers, governments, and representatives of international financial institutions are trading recriminations over who has failed more miserably to find any solution to Africa's desperate situation. Typical is the statement of Horst Schulman, the director of the International Finance Institute (which represents the 165 largest international banks), who strongly criticized the action of the main industrial countries' governments. Quoted in the newsletter *Lettre d'Afrique,* Schulman says, "The governments of the creditor countries have not done enough in the context of their bilateral relations to provide increased public financing to the indebted nations of the Third World, to open their markets to them, or to improve their fiscal regimes to encourage private investment."

He went on to score the International Monetary Fund and the World Bank, deploring the fact that the IMF continued to extract resources from the indebted countries, using the argument that it is impossible to get their governments to carry out satisfactory adjustment policies. So far, so good. But what does he propose? He rejects any cancellation of Third World debt, and calls for increased resources for the IMF and World Bank, presumably to be made available on strict conditions, and rules out any increased private bank intervention to bail out indebted countries.

Meanwhile, the IMF and World Bank are calling on private banks to do just that! A recent report by World Bank experts estimate the needs of the 17 most indebted countries as approximately $17 billion, of which half is supposed to come from private commercial banks. The *Lettre d'Afrique* points out that this is impossible, as over the last three years, private banks have only lent an average of $4 billion p.a., and today do not want to continue doing even that.

For example, recently published figures on French trade with Africa show that in 1981, private involvement in Africa represented 70% of the French contribution, against 30% public involvement. In 1986, the ratio was inverse, private involvement only being 48% of the total, public being 52%. Looking at the figures of bank loans and direct investment, in 1982 these were 18 billion francs. In 1984, the figure was negative.

At a London conference on April 18-19 on Africa's external debt, sponsored by the *Financial Times* and the African Development Bank, private bankers attacked the policies of creditor governments in Africa: Herman van der Wyck, joint chairman of S.G. Warburg & Co, said that conventional rescheduling of African debt by creditor governments, in the context of the Paris Club, "had dramatically increased the oustanding debt as well as the interest cost of the debt to most African countries." Far from generating new capital flows to the poorest countries, "it had actually converted some of these nations into exporters of capital." Throwing the hot potato of Africa's debt back into the lap of the governments, he said that "the Paris Club should adjust its practice to today's reality in Africa," and introduce realistic interest rates for debtors, and end the "fiction" of full accounting values on the debts.

Next, he said that "one of the most unfortunate results of the built-in structure of Fund lending is the substantial negative flow of resources currently being experienced." In other words, Africa is paying out more to the IMF than it is receiving. He questioned the Fund's de facto role as arbiter of last resort of a country's growth prospects and "ability to pay." The IMF, he said, "should take a far more realistic line with creditor groups . . . concerning the real earnings and payment prospects for many African countries."

The president and chairman of the U.S. Export-Import Bank, John Bohn, took a schoolmarm's tone to criticize British Chancellor of the Exchequer Nigel Lawson's proposals on debt forgiveness, and the African Development Bank's recent plan for converting debt to long-term securities. (Lawson had recently called for some relief to be given to Africa's indebted nations. The ADB plan provides for total supervision of African economies by the IMF.) Bohn said the ADB's plan was "not disciplined enough" and would encourage some African nations to "revert to old habits."

African speakers at the conference warned of the dangerous situation of the continent's debt: Zimbabwe's finance minister, Bernard Chidzero, said that Africa's external debt had risen from $134.4 billion in 1982 to some $200 billion by the end of 1986, and was likely to reach $550 billion by the year 2000. "If current trends continue unabated, it is clearly cancerous and unbearable." He warned that unless Africa received long-term external debt relief and a substantial increase in aid, most indebted countries may be forced to choose between debt servicing and essential imports, i.e., food and medicine.