

Extrait du CADTM

<http://cadtm.org/P-W>

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- English - Debt - Glossary -

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CADTM

[./NAVPICS/puce.gif] The Paris Club <www.clubdeparis.org>

This group of lender States was founded in 1956 and specializes in dealing with non-payment by developing countries.

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[./NAVPICS/puce.gif] Pension Funds

Pension funds collect part of their clients' monthly salary and speculate on the financial markets to lay out this capital to advantage. There is a dual objective: firstly, to provide a pension for their clients when they retire at the end of their working lives; and secondly, to make extra profits for themselves. Both objectives depend on contingencies and their fulfilment is uncertain. On many occasions, workers have found themselves with neither savings nor a pension after crashing bankruptcies, such as that of the Robert Maxwell business empire in the United Kingdom. The system of pensions by capitalization has become generalized in the Anglo-Saxon world. In 2002, some countries in continental Europe, such as France, still retained a distributive pension-system based on solidarity between generations.

[./NAVPICS/puce.gif] Poverty Reduction Strategy Paper (PRSP)

Set up by the World Bank and the IMF in 1999, the PRSP was officially designed to fight poverty. In fact, it turns out to be an even more virulent version of the structural adjustment policies in disguise, to try and win the approval and legitimation of the social participants.

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[./NAVPICS/puce.gif] Risk premium

When loans are granted, the creditors take account of the economic situation of the debtor country in fixing the interest rate. If there seems to be a risk that the debtor country may not be able to honour its repayments then that will lead to an increase in the rates it will be charged. Thus the creditors receive more interest, which is supposed to compensate for the risk taken in granting the loan. This means that the cost to the borrower country is much higher, accentuating the financial pressure it has to bear. For example, in 2002, Argentina was faced with risk premiums of more than 4,000 points, meaning that for a hypothetical market interest rate of 5%, Argentina would have to borrow at a rate of 45%. This cuts it off de facto from access to credit, forcing it even deeper into crisis. For Brazil in August 2002, the risk premium was at 2,500 points.

[./NAVPICS/puce.gif] Separate Funds

Funds owned which do not come from indebtedness, particularly social capital and reserves.

[./NAVPICS/puce.gif] Structural Adjustment

Economic policies imposed by the IMF in exchange of new loans or the rescheduling of old loans.

Structural Adjustments policies were enforced in the early 1980 to qualify countries for new loans or for debt rescheduling by the IMF and the World Bank. The requested kind of adjustment aims at ensuring that the country can again service its external debt. Structural adjustment usually combines the following elements : devaluation of the national currency (in order to bring down the prices of exported goods and attract strong currencies), rise in interest rates (in order to attract international capital), reduction of public expenditure ('streamlining' of public services staff, reduction of budgets devoted to education and the health sector, etc.), massive privatisations, reduction of public subsidies to some companies or products, freezing of salaries (to avoid inflation as a consequence of deflation). These SAPs have not only substantially contributed to higher and higher levels of indebtedness in the affected countries ; they have simultaneously led to higher prices (because of a high VAT rate and of the free market prices) and to a dramatic fall in the income of local populations (as a consequence of rising unemployment and of the dismantling of public services, among other factors).

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[./NAVPICS/puce.gif] Tobin Tax

A tax on exchange transactions (all transactions involving conversion of currency), originally proposed in 1972 by the US economist, James Tobin, as a means of stabilizing the international financial system. The idea was taken up by the association ATTAC and other movements for an alternative globalization, including the CADTM. Their aim is to reduce financial speculation (which was of the order of 1,500 billion dollars a day in 2002) and redistribute the money raised by this tax to those who need it most. International speculators who spend their time changing dollars for yens, then for euros, then dollars again, etc., as they calculate which currency will appreciate and which depreciate, will have to pay a small tax, somewhere between 0.1% and 1%, on each transaction. According to ATTAC, this could raise 100 billion dollars on a global scale. Considered unrealistic by the ruling classes to justify their refusal to adopt it, the meticulous analyses of globalized finance carried out by ATTAC and others has, on the contrary, demonstrated how simple and appropriate such a tax would be.

[./NAVPICS/puce.gif] Trade balance

The trade balance of a country is the difference between merchandize sold (exports) and merchandize bought (imports). The resulting trade balance either shows a deficit or is in credit.

[./NAVPICS/puce.gif] UNCTAD (United Nations Conference on Trade and Development) <[www.unctad.org](#)>

This was established in 1964, after pressure from the developing countries, to offset the GATT effects.

[./NAVPICS/puce.gif] United Nations Development Programme (UNDP) <[www.undp.org](#)>

The UNDP, founded in 1965 and based in New York, is the UN's main agency of technical assistance. It helps the DC, without any political restrictions, to set up basic administrative and technical services, trains managerial staff, tries to respond to some of the essential needs of populations, takes the initiative in regional co-operation programmes and co-ordinates, theoretically at least, the local activities of all the UN operations. The UNDP generally relies on Western expertise and techniques, but a third of its contingent of experts come from the Third World. The UNDP publishes an annual Human Development Report which, among other things, classifies

countries by their Human Development Rating (HDR).

[./NAVPICS/puce.gif] The Warsaw Pact

A military pact between the countries of the former Soviet Bloc (USSR, Albania, Bulgaria, Hungary, Poland, the German Democratic Republic, Rumania, Czechoslovakia). It was signed in Warsaw in May 1955, as a reaction to the Federal German Republic joining NATO. Albania withdrew in 1968 after Soviet intervention in Czechoslovakia. After the dislocation of the USSR, the Pact's military organization was dissolved in April 1991.

[./NAVPICS/puce.gif] The World Bank <www.worldbank.org>

The World Bank was founded as part of the new international monetary system set up at Bretton Woods in 1944. Its capital is provided by member states' contributions and loans on the international money markets. It financed public and private projects in Third World and East European countries.

It consists of several closely associated institutions, among which :

1. The International Bank for Reconstruction and Development (IBRD, 180 members in 1997), which provides loans in productive sectors such as farming or energy ;
2. The International Development Association (IDA, 159 members in 1997), which provides less advanced countries with long-term loans (35-40 years) at very low interest (1%) ;
3. The International Finance Corporation (IFC), which provides both loan and equity finance for business ventures in developing countries.

As Third World Debt gets worse, the World Bank (along with the IMF) tends to adopt a macro-economic perspective. For instance, it enforces adjustment policies that are intended to balance heavily indebted countries' payments. The World Bank advises those countries that have to undergo the IMF's therapy on such matters as how to reduce budget deficits, round up savings, enduce foreign investors to settle within their borders, or free prices and exchange rates.

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[./NAVPICS/puce.gif] World Trade Organisation (WTO) <www.wto.org>

The WTO, founded on 1st January 1995, replaced the General Agreement on Trade and Tariffs (GATT). The main innovation is that the WTO enjoys the status of an international organization. Its role is to ensure that no member States adopt any kind of protectionism whatsoever, in order to accelerate the liberalization global trading and to facilitate the strategies of the multinationals. It has an international court (the Dispute Settlement Body) which judges any alleged violations of its founding text drawn up in Marrakesh.

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