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Third Concept aims at providing a platform where a meaningful exchange of ideas can take place among the people of the Third World. The attempt will be to communicate, debate and disseminate information, ideas and alternatives for the resolution of the common problems facing humankind. We welcome contributions from academics, journalists and even from those who may never have published anything before. The only requirement is a concern for and desire to understand and take the issue of our time. Contributions may be descriptive, analytical or theoretical. They may be in the form of original articles, reactions to previous contributions, or even a comment on a prevailing situation. All contributions, neatly typed in double space, may be addressed to:

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INSIDE

Editorial

Impending Financial Crunch!

The ongoing debt crisis in Greece has made the world going bonkers over the development and some developing countries fear an impending financial crunch of greater magnitude than that of 2008. Greece owes 240 billion Euros to the troika of European Commission, European Central Bank (ECB) and IMF. In the wake of rising value of the US dollar, the plunging price of crude is exerting intense pressure on the finances of oil-exporting countries, thereby, giving rise to growing fears of a new debt crisis in the making. One expert says: "We're going to have another financial crisis. Brazil's already in great trouble with the strength of the dollar; I dread to think what's happening in South Africa; then there's Malaysia. We're back to where we were, and that for me is really frightening." Many developing countries are demanding a change in the way sovereign defaults are dealt with. UNCTAD, the UN's Geneva-based trade and investment arm, has recently recommended a series of principles, including a moratorium on repayments while a solution is negotiated; the imposition of currency controls to prevent capital fleeing the troubled country; and continued lending by the IMF to prevent the kind of existential financial threat that roils world markets and causes severe economic hardship.

Nevertheless, when these proposals were put to the UN General Assembly in September 2014, a number of developed countries, including the UK and the US, voted against it, claiming the UN was the wrong forum to discuss the proposal, which is anathema to powerful financial institutions. Some developing countries are alleged to have been taking advantage of rock-bottom interest rates and the cheap money created by quantitative easing to stack up billions in new debt and in 2013 alone, as World Bank data show, borrowing by developing countries was up 40% to $17.3bn. Media reports indicate that Brazil's economy is likely to be seriously tested as the greenback rises; Turkey, Malaysia and Chile have large dollar-denominated debts and sliding currencies; and a string of African countries face sharp rises in debt repayments. Ghana and Zambia have already had to turn to the IMF to ask for help. It's as if absolutely nothing has changed since the last crisis. Some observers feel that the world economy stands on the brink of a second credit crisis as the vital transmission systems for lending between banks begin to seize up and the debt markets fall over.

Broadly speaking, the collapse of US house prices back in 2007 led to the seizure of the credit markets and banking crisis of 2008. Nevertheless, some experts feel that the collapse of the US housing market was not the cause of the crisis; it was merely a symptom of the more insidious ills of cheap credit, low risk and the promise of another bailout round the corner. The slowing down of the Chinese economic growth rate from 12pc in 2010 to 7.4pc in 2014 has made some experts to observe that it is the once booming property sector that has turned into a bust, and is now dragging down the wider economy as the bubble deflates. The second global credit crisis is now already unfolding in China and the bonds of Chinese real estate companies are now falling like dominoes.

All asset classes are now crumbling. The oil price has collapsed from $115 per barrel in June 2014 to about $52 at mid-June this year and iron ore has slumped from $140 per tonne in January 2014 to $62 per tonne at mid-June this year. Media reports reveal that the global debt has ballooned by $57 trillion since 2007 to reach about $200 trillion. The main culprits of monetary expansion have been China, which launched a 4 trillion Yuan (£386bn) stimulus package, the US Federal Reserve has launched three rounds of QE adding $3.7 trillion worth of assets to its holdings, the Bank of England has spent about £375bn and Japan has increased its asset buying programme to 80 trillion yen (£454bn) a year, up from the previous rate of 60-70 trillion yen. It is in this backdrop that the RBI governor has warned that the efforts of central banks in the developed world to avoid another Great Depression by keeping interest rates at zero may lead to another crunch.

— BK