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Letters

Third World Debt Never Shrinks

To the Editor:

Just returned from a conference on debt and development in the Caribbean Basin, I find your editorial "Costa Rica Breaks the Mold" (Nov. 2). Debt reduction, your theme, is a most desirable goal. The financial obligations of Costa Rica and other third world debtor countries to foreign institutions, both private and public, have indeed been a major constraint on development in the 1980's.

What you fail to mention, however, is that the economic policies and measures promoted by the International Monetary Fund, the World Bank, the United States and other donor countries as conditions attached to new lending and now to debt reduction have themselves presented serious obstacles to short-term and long-term economic recovery. Structural adjustment programs have had a devastating impact on women, children, the poor and other vulnerable groups (as well as on the natural environment), as resources have been increasingly diverted from their needs and their productive efforts and directed to export production — Northern trade protectionism notwithstanding.

After nearly a decade of adjustment, third world economies are more indebted than ever. And the situation will grow worse with the unification of the European market in 1992 unless fundamental changes are made.

These are realities you should be communicating. You should also make clear that it is the United States taxpayer who will be providing, under the plan of Secretary of the Treasury Nicholas Brady, guarantees for loans made by private banks, setting the stage for a likely bailout of those banks in the future. A serious public debate on World Bank and International Monetary Fund lending and on practical policy options is badly needed.

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Washington, Nov. 9, 1989