Method of Developing Countries’ Indebtedness

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Abstract

The paper begins with the author’s concern that the world has reached the limits of the planet’s resources, which was continuously stressed due to increasing world population growing rapidly and the question what we will do in 2050 when the population is expected to reach 9 billion people. Also in circumstances of deteriorating global and division world’s poor countries and countries in the developing world, we have outlined two methods of enslavement of any nation without economic power, without resources and without military power: the sword method that today is not embraced and indebtedness occurred in the twentieth century method, which is suitable for resource countries who are lured to appeal to international financial organizations. Following amassing huge debts, these countries are forced to sell more and more international companies and embrace economic slavery, the indebtedness is the weapon used to enslave society and the interest is the main ammunition, defending such economic killers.

In this respect we analyze Romania’s trade balance, the indebtedness of the country, the evolution of GDP and investments generated by reducing active population, the employed population, the employment rate and increased unemployment, compared with more developed countries in the European Union. Given the serious indebtedness of Romania, there are also analyzed comparatively country’s foreign debt, foreign trade balance deficit generated by public debt.

As a result of the matters described above, there are analyzed macroeconomic imbalances generated by gigantic oversized loans, which ultimately led to the collapse of production and worsening living conditions of the population.

Keywords: the indebtedness method, method by sword, debtor countries, economic slavery, economic assassins, macroeconomic imbalances

JEL classification: E02, E52, F54, H63, H68

Introduction

We must recognise, from the very beginning, that the world has reached the limits of our planet’s resources such as the soil of high quality, clean water, crude oil and natural gas, metals and purchases with borrowed money. This has continuously sharpened due to the faster than ever increase in
the world population. Thus, if it took 50000 years for people around the world to reach 1 billion persons, in 2000 the population reached 6 billion and in 2012 exceeded 7 billion. The question arises what we will do in 2050 when the population will reach 9 billion, a moment in time when the planet can feed us all, but will not be able to cope with our greed.

A fact is incontestable, namely that “nature does not need people, but people need nature”. If each year we lose 13 million hectares of forest, and more than 50 % of tropical forests were destroyed by the people, if we lose 15 million tonnes fertile soil and by 2050 50 % of irrigated land will be lost, if the planet’s energy consumption will become unsustainable, the question arises on what we will do in the future.

It is all about us to stop the global deterioration, since the Earth is a vivid planet and our harmful deeds will turn against us.

However, the world is divided into two broad categories: developed countries and developing countries. The most effective solution for the first group of countries was the “method by sword”, which now is no longer effective, being nowadays replaced by the “indebtedness solution”.

It is obvious that one of the classical methods of any nation enslavement is the “method by sword”, through the forced kneeling and subjection. This method can be applied to countries without resources, without economic power and significant military power. It is a method which, under the contemporary circumstances, can no longer be convenient, as it supposes material and human expenses that reduce the efficiency of the act itself.

1. Methodology - Indebtedness method

In the twentieth century a new method, the “indebtedness method”, suitable for the countries owning resources, which are deceived to engage in very substantial loans by the international bodies, such as the World Bank or the International Monetary Fund.

What are these countries doing with the borrowed money? In fact, these loans do not make their way to the countries concerned but to large corporations, with a view to build infrastructure projects in these countries, such as industrial parks, power stations, ports, airports, communication pathways, etc., to the benefit of those corporations and a few rich people in that country. As a result, the majority population and the country remain with a very large debt, which can no longer be returned.

In this situation, the creditor countries will require the debtor countries to pay with their wealth (crude oil, raw wood, all sorts of deposits, etc.), sold at an easy rate to the companies concerned, to enable the construction of military bases in the country, to send troops to other countries to support the occupying forces of rich countries, etc.
The debtor countries are also required to privatise a number of national companies, such as electricity, water, gas, etc., by selling them to other international companies, at low price.

The result is that these countries accumulate liabilities at the World Bank, International Monetary Fund and other international bodies, which they are no longer able to pay. Under such circumstances, these bodies shall offer to refinance the debt, while the country must pay ever growing interests.

As such, it will be necessary to put up other resources, utility companies, insurance systems, education systems, etc., to foreign corporations, while the country became increasingly indebted.

Therefore, the indebtedness method is a double, triple, etc. shot, because the debtor countries.

The dialogue generated between private banks and the American ones has concluded that the capital must control work, by controlling the wages.

During the civil war, in order to avoid high interest loans provided by European banks, President Lincoln decided to set up an independent currency, without liabilities, called Greenback. Since it cannot be controlled, cannot be left to exist.

It is clear that money can be created from indebtedness. The Federal Reserve has spread its practice to the majority of world banks. Debtor countries, having the opportunity of generating money by means of loans, become increasingly liable, which is the purpose of the developed countries.

The fight to keep pace with the debt collected, with the inflation inherent in the system, the fear of the loss of goods, combined with insufficiency without redemption of money in circulation, created by the interests that can never be paid, make wages to be ever preserved.

What about the effect? The effect is supplying an empire where the beneficiaries are only the top elite of corporations and governments it supports, as money are created by banks and invariably go back to the banks.

One of the most imaginative scams for social rigging is economic slavery where people take care of themselves, while the physical slavery requires ensuring shelter and food. In fact, it is an invisible war against the population in which the indebtedness is the weapon used to conquer and enslave the society and that interest is the main ammunition.

Naturally, the majority of the population is not aware of this fact and banks, in collaboration with government and corporations, continues to expand and improve the tactics of economic struggle, creating new bodies, such as the World Bank and the International Monetary Fund, which lead to the so-called “economic cutthroat”.

Now it is time to ask ourselves: the accession to the European Union is a historic mistake huge for Romania, because we have entered into a system...
even more complicated than the one we have left 27 years ago and where politicians and bureaucrats are purchased with a lot of money? If the answer is yes, does it means that the Romanian people should sleep in quiet for being on the right track?

To see the actual situation in which Romania finds itself today, it is enough to observe national accountancy, which provides a complete and comparable picture of the country’s economic activity.

We can therefore relate to exports of goods and services provided by residents of Romania to non-residents through sales, exchange in kind and donations, compared with imports of goods and services by non-residents to residents of Romania by purchases, exchange in kind and donations, which are the following (Table 1).

**Romanian exports and imports**

(million RON current prices)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports of goods and services</td>
<td>139739.6</td>
<td>253377.4</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>172462.5</td>
<td>258322.4</td>
</tr>
<tr>
<td>Balance (exports – imports)</td>
<td>— 32722.9</td>
<td>— 4945.0</td>
</tr>
</tbody>
</table>

(Source: Romanian Statistical Yearbook 2015, page 386)

In Table 1 we are seeing an increase during the period 2009-2013 in both export and import, but growth in exports has constantly been lower, which has penalised our country by negative balance of these operations and the degree of indebtedness of the country.

This situation is also indicated by the reduction of employment in the economy between 2010 and 2013, which, with minor exceptions, are as shown in Table 2

**Employment by activity of national economy and status in employment**

<table>
<thead>
<tr>
<th>Activities</th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Employees</td>
</tr>
<tr>
<td>Total</td>
<td>9156.1</td>
<td>6026.6</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Employees</td>
</tr>
<tr>
<td>Total</td>
<td>8569.4</td>
<td>5897.4</td>
</tr>
</tbody>
</table>

(Source: Romanian Statistical Yearbook 2015, pages 388-389)

The difference of 586.7 persons in 2013 compared to 2010 is naturally due to the national economy decline during this period.

The final result of the production activity of resident producer units, reflected in the Gross Domestic Product, showed the evolution indicated in Table 3.
### Gross Domestic Product

**Table 3**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>The level of GDP (RON million)</td>
<td>565097.2</td>
<td>595367.3</td>
<td>637456.0</td>
</tr>
</tbody>
</table>

(Source: Romanian Statistical Yearbook 2015, page 400)

One should note that in 3 years, the GDP growth was only 12 %, which reinforces the statement that domestic production has evolved very slowly, mainly due to the decline in investments in agriculture from 5.3 % in 2013 to 5.1 % in 2014, construction from 10.9 % in 2013 to 7.4 % in 2014 and services from 42.9 % in 2013 to 40.7 % in 2014. For all the activities of the national economy, net investments went down from 89092.3 million RON in 2012 to 86160.0 million RON in 2014.¹

2. **Influence of Population Demand**

All these aspects have been generated by the shrinking of economically active population participating in the economic activity, from 9576 thousand persons in 2009 to 9243 thousand persons in 2014, the reduction in employment from 8952 thousand persons in 2009 to 8614 thousand persons in 2014, the decline in employment rate from 61.4 in 2009 to 61.0 in 2014, the reduction in the rate of activity from 65.9 in 2009 to 65.7 in 2014 and, as such, the rising unemployment rate, increasing from 6.5 in 2009 to 6.8 in 2014.²

Beside these consequences, a synthetic picture of the country’s indebtedness situation is observed in the trade balance, which in 2014 was EUR 52.5 billion for exports and EUR 58.5 billion for imports, with a difference of EUR 6 billion in favour of imports, while at the European Union level, in 2014, exports amounted to EUR 1702.0 billion and imports to EUR 1608.5 billion, a difference of EUR 22.4 billion in favour of exports.³

The final effect of the activities undertaken in Romania in 2009 was EUR 5 915 per inhabitant, while in 2014 it reached EUR 7 544 per inhabitant - a figure which is considerably below the level of the least indebted countries such as Denmark with EUR 46 200 per inhabitant, Luxembourg, with EUR 87 600 per inhabitant, Norway with EUR 73 500 per inhabitant, Switzerland with EUR 64 600 per inhabitant, etc. As such, Romania has the second lowest before Bulgaria among EU countries.⁴

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In addition, the final effect also takes the form of the external debt of Romania, which on 30 September 2016 reached EUR 90.7 billion.¹

3. EXTERNAL DEBT OF ROMANIA

We would point out that during the first 3 quarters of 2016 external debt had risen by 243 million euro, and if we put to the issue the structure we will see that public external debt has increased in this period with 1178 million euro, while the external debt in the private sector went down.

The external debt of the country in the medium to long term increased from 18 billion euro in 2004 to 78 billion in 2012, under the conditions where no productive capacity, allowing generating foreign exchange resources for the reimbursement of this extraordinary external debt, has been built up. Average interests on external debt, which are 5 % on average, amount in a year up to EUR 4.5 billion, i.e. RON 20 billion.

Considering now the external trade balance in the first three quarters of 2016, we have to note that it is highly unbalanced and the trade deficit amounts to 6.9 billion euro, which shows deterioration compared to the same period in 2015 with EUR 1.4 billion. This comes from the fact that exports increased by 4.3 % while imports increased by 6.8 % compared to the same period in 2015.

In terms of external balance of payments, we see that the current account deficit in the 9 months of 2016 reached EUR 2.6 billion, compared to the same period in 2015 when the deficit was EUR 1.0 billion.

As such, the country is today in a financial imbalance, as public debt increased from EUR 14.07 billion in 2004 to EUR 55.7 billion in 2012 and EUR 69.4 billion (RON 3122 billion) in August 2016. In 2016 alone this debt has increased by RON 5.8 billion (EUR 1.3 billion), and if in 2015 it was RON 306.4 billion (EUR 68.1 billion) in 2016 it reached RON 312.2 billion (EUR 69.4 billion) accounting for 41.8 % of GDP.

Out of the total public debt, RON 166.2 billion (i.e. 45 %) are the amounts borrowed from local banks, and the difference is borrowed in foreign markets, the budgetary deficit in the period January to September 2016 reaching RON 3.7 billion.

In the 10 years of former governance, a series of huge macroeconomic imbalances have been engendered, such as the huge external debt of EUR 90 billion, the public debt of EUR 69 billion, tax evasion and smuggling of around EUR 200 billion, the single rate and the elimination of progressive tax on income and on personal income of around EUR 40 billion in 10 years, the losses of several EUR billions from the EU funds, etc. Furthermore, it was

¹ http://www.bnr.ro/datoria-externa-BPM6
responsible for the oversized loan of EUR 20 billion from the IMF, the World Bank and the EU, for $320 million losses caused by the disappearance of the Romanian fleet, winding-up and destruction of factories and plants resulting from the PSAL II programme, for cutting pensions by 19% to the 5.3 million pensioners and of wages by 25% to 1.4 million public employees, for the increase in the VAT rate from 19% to 24%, for bringing out of service 70 hospitals and hundreds of schools, etc.

It is not irrelevant either the macroeconomic imbalance inherited from the 10 years of former governance. Indeed, by eliminating millions of jobs in the years of transition, about 3 - 4 million people (30 - 40% of the economically active population of the country) have been thrown by governments on the foreign roads in order to seek employment. The number of employees has increased in September 2016 compared to 31 December 2015 with around 70 thousand persons, but the registered unemployed amounted to 418000 persons, of whom only 81000 were still receiving unemployment benefit.

As a result of this weak economic performance, Romania came, due to the wrong macroeconomic policy, to a level of indebtedness unacceptably high, which subdue Romania, as debtor country, to major economic powers. Of course that the debt exists and that will have to be cleared; this can only be achieved by developing productive industries permissible in Romania which will be able to gradually pay the external debt, in parallel with increasing the living standard of people. No other solution exists, provided of course that the new leadership of the country will be able to underlie a fair and sustainable development strategy.

References