

Fears of a New Global Crash as Debts and Dollar's Value Rise

By Heather Stewart
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As Greece puts the finishing touches to its latest round of cuts, some economists are increasingly alarmed about the signals from the world economy



← Brazil's economy is likely to come under increasing pressure as the dollar rises in value. Photograph: Nacho Doce/Reuters

Greek ministers are spending this weekend, almost five grueling years since Athens was first bailed out, wrangling over the details of the spending cuts and economic reforms they have drawn up to appease their creditors.

As the recriminations fly between Europe's capitals, campaigners are warning that the global community has failed to learn the lessons of the Greek debt crisis – or even of Argentina's default in 2001, the consequences of which are still being contested furiously in courts on both sides of the Atlantic.

As Janet Yellen's Federal Reserve prepares to raise interest rates, boosting the value of the dollar, while the plunging price of crude puts intense pressure on the finances of oil-exporting countries, there are growing fears of a new debt crisis in the making.

Ann Pettifor of Prime [Economics](#), who foreshadowed the credit crunch in her 2003 book *The Coming First World Debt Crisis*, 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."

Since the aftershocks of the global financial crisis of 2008 died away, the world's policymakers have spent countless hours rewriting the banking rulebook and rethinking monetary policy. But next to nothing has been done about the question of what to do about countries that can't repay their debts, or how to stop them getting into trouble in the first place.

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Developing countries are using the UN to demand a change in the way sovereign defaults are dealt with. Led by Bolivian ambassador to the UN Sacha Sergio Llorenti, they are calling for a bankruptcy process akin to the Chapter 11 procedure for companies to be applied to governments.

Unctad, the UN's Geneva-based trade and investment arm, has been working for several years to draw up a "roadmap" for sovereign debt resolution. It recommends 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 ...

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