March 2012

Economics and Third World Debt: A Look at How Debt is Hazardous to Third World Countries

Mary A. Doyle
Liberty University, scholarlycommunications@liberty.edu

Follow this and additional works at: https://digitalcommons.liberty.edu/si

Recommended Citation
Doyle, Mary A. (2012) "Economics and Third World Debt: A Look at How Debt is Hazardous to Third World Countries," Strategic Informer: Student Publication of the Strategic Intelligence Society: Vol. 1 : Iss. 1 , Article 5.
Available at: https://digitalcommons.liberty.edu/si/vol1/iss1/5

This Article is brought to you for free and open access by Scholars Crossing. It has been accepted for inclusion in Strategic Informer: Student Publication of the Strategic Intelligence Society by an authorized editor of Scholars Crossing. For more information, please contact scholarlycommunications@liberty.edu.
forces. One such example is Executive Outcomes, a PSC which quickly ended a protracted war by training Sierra Leonean government soldiers and jointly confronting the RUF, a brutal rebel opposition army. With the aid of EO, government troops ousted the RUF from the country in a mere nine days.66

Along with providing a viable solution for the African nations, PSCs are being used effectively in conjunction with the military in America’s war on drugs.67 Half of the $630 million of U.S. funding for the anti-drug effort in Colombia is funneled to DynCorp and other private corporations.68 In addition to their strategic value, PSCs offer the advantage of quicker preparation and deployment.

Security contracting companies present greater flexibility and ease of use because they can be employed and fired on an as-needed basis.69 This allows the government to use swift, adaptive forces rather than military or federal personnel, which logistically take much longer to prepare.70 For example, a leading expert provides the tactical readiness of Blackwater: “at present, Blackwater has forces deployed in 20 aircraft, including helicopter gun-ships, and the expert provides the tactical readiness of Blackwater: flexibility and ease of use because they can be employed and fired on an as-needed basis. This allows the government to use swift, adaptive forces rather than military or federal personnel, which logistically take much longer to prepare.70 For example, a leading expert provides the tactical readiness of Blackwater: “at present, Blackwater has forces deployed in 20 aircraft, including helicopter gun-ships, and the world's largest private military facility – a 7,000-acre compound in North Carolina. 71 This expedient force is more convenient than dispatching a larger military detachment, which would take months to prepare and transport. In addition, private security companies can also be used as a force multiplier or supplement rather than direct replacement for conventional forces.

According to Schwartz’s report for Congress, private security contractors can assist the military by performing basic security. 72 This would leave the military forces unencumbered to conduct operations, which would help prevent overlap of PSC and military operations. Clearly, there must be a distinction between PSC support and combat operations. Private security contractors could potentially be utilized as a support package for military operations if deemed necessary. Support could manifest in several ways such as providing logistical, security, and extremely limited combat support or by utilizing local nationals as contractors for the government, because of their terrain and language skills which traditional U.S. forces often lack.73

This increased use of private contractors to fight in wars would also provide a cushion for U.S. civilians because fewer citizens would be sent to war and a draft would never be necessary as long as PSCs are available. Finally, private contractors are not officially included on the official casualty lists. A leading expert states that in just the Iraq war, “more than 900 U.S. contractors have been killed, with another 13,000 wounded.”74 These contractor casualties are not included in the official numbers, which would otherwise further tarnish public image. This supplementary strategy of hiring PSCs to deal with world problems will likely continue to increase over time as they become more adaptive and efficient.

Private security contractors are professional and expedient assets to the Department of Defense if used properly. If employed in conjunction with military forces, they would best be applied as a force multiplier in an effective support function. Additionally, if private security contractors are to be implemented strategically and in lieu of military personnel, they must remain under close supervision from the DOD or State Department. Proper strategic application of private security contractors could truly be the crucial force multiplier needed to resolve conflicts in today’s chaotic world.

Finally, private contractors are not officially included on the official casualty lists. A leading expert states that in just the Iraq war, “more than 900 U.S. contractors have been killed, with another 13,000 wounded.” These contractor casualties are not included in the official numbers, which would otherwise further tarnish public image. This supplementary strategy of hiring PSCs to deal with world problems will likely continue to increase over time as they become more adaptive and efficient.

Private security contractors are professional and expedient assets to the Department of Defense if used properly. If employed in conjunction with military forces, they would best be applied as a force multiplier in an effective support function. Additionally, if private security contractors are to be implemented strategically and in lieu of military personnel, they must remain under close supervision from the DOD or State Department. Proper strategic application of private security contractors could truly be the crucial force multiplier needed to resolve conflicts in today’s chaotic world.

Economics and Third World Debt

A Look at How Debt is Hazardous to Third World Countries

Mary A. Doyle

Third world debt is a serious concern in the world today, the cause of which can be attributed to the debt crisis that occurred in the 1970s when a rise in oil price induced higher rates. As a result, third world countries incurred a significant amount of debt. Factors such as colonialism, illegitimate loans, mismanaged lending, and subsidizing have stimulated the rise in debt. Consequently, there has been a decrease in education, policy reforms, and health spending, resulting in poorer health conditions and weaker economic performance. In response, there are numerous organizations working to alleviate, and eventually end, third world debt.

Poverty is a worldwide phenomenon that has existed for thousands of years and affects a multitude of people on a daily basis. There are numerous factors – particularly debt – which induce poverty. Underdeveloped countries have been found to have the poorest economies and thus contain the highest poverty and debt rates. By building a better understanding of the contributing factors of debt and its effect on the country, society could collectively work to end debt. The cause of third world debt is a combination of several factors, including the debt crisis of the 1970s, overspending, illegitimate loans, and embezzlement. These in turn cause poor economic performance, a decrease in government spending for health and education, and higher unemployment levels.

It was not until the 1970s that the third world debt began to significantly impact global society. During this time, the United States government exceeded its budget, resulting in the printing of more money to cover the loss. Inflation occurred which led to a rise in oil prices by oil producing countries. Oil producers had also deposited their profits into western banks, which stimulated a rise in interest rates within the banking sector. This in turn forced banks to lend money to third world countries that wanted to continue developing as well as meet the rising costs of oil production. According to the Jubilee Debt Campaign (JDC), debt “often arose through reckless or self-interested lending by the rich world.”76 Countries that profited from the rise in oil prices disbursed loans to poor countries as a means of accruing more revenue and obtaining allies, regardless of the country’s political stance. With the rise in “world interest rates, a global recession, and low commodity prices,” the amount of debts grew dramatically and the ratio between debt and repayment became unevenly distributed.77

Additional facets of debt include colonialism, illegitimate loans (also known as odious debt), mismanaged lending, and subsidizing (corruption and embezzlement of money by the rich). Odious debt is defined by the Jubilee USA Network as ‘debt that resulted from loans to an illegitimate or dictatorial government that used the money to oppress the people or for personal purposes.’ These types of debt are prevalent in countries like South Africa, Tanzania, and Cuba. The practice of mismanaged lending transfers when a country incurs a debt to another country, the country in which the debt owed to is pardoned, and the cycle repeats itself as the in-debt country continues to seek loans. Subsidizing occurs when the political elite in developing countries use tax money to pay and deposit money in foreign banks with certain regulations; this in turn causes more money to be withdrawn from developing countries. As a result, developing countries are forced to reduce the process of economic reforms, which leads to a weakened economic performance. The consequence of subsidizing is a dramatic decrease on the price of commodities, which creates a devalued currency rate.

Third world countries have continued to experience the negative impact of the 1970’s debt crisis. An expert on the matter notes, “debt has impeded sustainable human development, security, and political or economic stability.”78

66 “Aircraft, Including Helicopter Gun-ships, and the “at present, Blackwater has forces deployed in 20 aircraft, including helicopter gun-ships, and the world’s largest private military facility – a 7,000-acre compound in North Carolina.” 71 This expedient force is more convenient than dispatching a larger military detachment, which would take months to prepare and transport. In addition, private security companies can also be used as a force multiplier or supplement rather than direct replacement for conventional forces.

According to Schwartz’s report for Congress, private security contractors can assist the military by performing basic security. 72 This would leave the military forces unencumbered to conduct operations, which would help prevent overlap of PSC and military operations. Clearly, there must be a distinction between PSC support and combat operations. Private security contractors could potentially be utilized as a support package for military operations if deemed necessary. Support could manifest in several ways such as providing logistical, security, and extremely limited combat support or by utilizing local nationals as contractors for the government, because of their terrain and language skills which traditional U.S. forces often lack.73

This increased use of private contractors to fight in wars would also provide a cushion for U.S. civilians because fewer citizens would be sent to war and a draft would never be necessary as long as PSCs are available. Finally, private contractors are not officially included on the official casualty lists. A leading expert states that in just the Iraq war, “more than 900 U.S. contractors have been killed, with another 13,000 wounded.” These contractor casualties are not included in the official numbers, which would otherwise further tarnish public image. This supplementary strategy of hiring PSCs to deal with world problems will likely continue to increase over time as they become more adaptive and efficient.

Private security contractors are professional and expedient assets to the Department of Defense if used properly. If employed in conjunction with military forces, they would best be applied as a force multiplier in an effective support function. Additionally, if private security contractors are to be implemented strategically and in lieu of military personnel, they must remain under close supervision from the DOD or State Department. Proper strategic application of private security contractors could truly be the crucial force multiplier needed to resolve conflicts in today’s chaotic world.

66 Ibid.
68 Ibid.
69 Ibid.
70 Schwartz, S.
71 Ibid.
72 Ibid. Scahill, “A Very Private War”
73 Schwartz, CRS Report for Congress.
74 Ibid. Scahill, “A Very Private War”
75 Ibid. Scahill, “A Very Private War”
76 Ibid.
77 Ibid.
78 Ibid.
79 Ibid. Scahill, “A Very Private War”
80 Ibid.
81 Ibid. Scahill, “A Very Private War”
82 Ibid. Scahill, “A Very Private War”
83 Ibid. Scahill, “A Very Private War”
84 Ibid. Scahill, “A Very Private War”
85 Ibid. Scahill, “A Very Private War”
86 Ibid.
88 Ibid.
89 Ibid.
90 Ibid.
91 Ibid.
92 Scahill, “A Very Private War”
93 Schwartz, CRS Report for Congress.
94 Ibid.
95 Ibid.
countries are compelled to spend millions of dollars each day to pay off debt with money that could be used for economic reform, education, healthcare, or a multitude of other beneficial causes. In fact, government spending on education and improving the health of its citizens has declined due to an increase in debt. This downward spiral has led to higher death rates, particularly among children. An estimated 21,000 children die each day from poverty-related illnesses; 2,882 kidnappings, which amassed millions of dollars in ransom; and four children each minute. In addition to poor healthcare, low-income countries have suffered from weak economic performance, which has resulted in a decrease in economic reforms. Despite these seemingly high statistics, there are numerous organizations whose sole focus is to end, or lessen, third world debt. These groups include Jubilee 2000 UK / Jubilee Debt Campaign (JDC), Christian Aid, Oxfam UK, World Development Movement, Catholic Agency for Overseas Development (CAFOD), and Tearfund. Of these organizations, JDC is the most significant in that it is highly involved in aiding third world countries. Their mission is to bring “an end to all unpayable poor country debts by 2000 UK / Jubilee Debt Campaign (JDC), Christian Aid, Oxfam UK, World Development Movement, Catholic Agency for Overseas Development (CAFOD), and Tearfund. Of these organizations, JDC is the most significant in that it is highly involved in aiding third world countries. Their mission is to bring “an end to all unpayable poor country debts by 2000. http://www.globalissues.org/article/33/debt-and-the-effect-on-childrens-GDP%2CGlobal%2Cdr.%20of%20the%20country%27s%20territory.  By 2002, the massive rebel organization was able to capture a third of the country’s territory within Colombia. FARC has engaged in multiple deadly firefights with the Colombian military and the DEA since the 1990s. In fiscal year 1999, the United States expanded its assistance to Colombia to $317 million, and later to almost $1 billion in 2000. President Andres Pastrana attempted to negotiate a peaceful resolution with FARC in 1998, but was unsuccessful in the endeavor. During that year, the rebel organization was able to capture a third of the country’s territory by 2002. The massive rebel war machine and drug trafficking empire reached its peak. 107 The United States, as an ally of the Colombian military, has caused significant setbacks to FARC’s strategic objectives since 2001; however, U.S. involvement did not immediately deter the terrorist group’s financing methods. In 2002 alone, the guerillas were responsible for almost all of Colombia’s 2,882 kidnappings, which amassed millions of dollars in ransom. The group also held three Americans captive for four years, releasing them in 2006; this demonstrates their willingness to kidnap American personnel. For years, the United States has been funding and training the AUC, or the United Self-Defense Forces of Colombia, to fight against FARC forces. In addition, the U.S. has allocated massive financial support to the Colombian government for the purpose of destroying the terrorist faction. Since the beginning, FARC’s leadership structure has consisted of a seven-man council. In 2008, the Colombian military launched a massive raid with the support of U.S. intelligence against a FARC camp located across the border in Ecuador. The raid resulted in the deaths of key leaders Raul Reyes and Ivan Rios, with the eventual elimination of top commander Manuel Marulanda. While a similar raid the following year resulted in the death of FARC’s chief leader and commander, Alfonso Cano. The President of Colombia, Juan Manuel Santos, called it the “most devastating blow to the group in its decades-long insurgency.” Now that five of the original seven council commanders have been killed, FARC’s strength has decreased and its operational ability has been limited.108

101 ibid.
106 ibid. 110.
108 Ibid. 2.