Debt crisis alert. End of Quantitative Easing poses grave risks for emerging economies

Saturday 30 June 2018, by FERNANDEZ Rodrigo (Date first published: 21 June 2018).

A new age of debt crises in emerging economies is on the horizon. Debt levels have been rising across developing countries since the 2008 global financial crisis, on the back of favourable monetary policies in developed economies.

A new report from the Netherlands think tank SOMO analyses the problems that monetary policies in developed economies pose for developing countries.

The end of Quantitative Easing (QE) programmes and the rise in interest rates in developed economies are creating the conditions for a perfect storm. After a period of capital flows moving into developing countries, capital will be going back to developed economies. This will leave behind a predictable pattern of debt crises – with potentially devastating consequences. “Given the history of debt crises in emerging economies, with profound and long-lasting socio-economic and political consequences, we must be alert to signs of another emerging debt crisis”, says SOMO-researcher Rodrigo Fernandez.

Urgent action is needed to address this problem, including a reversal of the global trend of liberalising capital controls, the introduction of internationally accepted debt restructuring arrangements and the preventing the abuse of debt crises by imposing a market-led restructuring programme.

See the full report: https://www.somo.nl/the-politics-of-quantitative-easing/

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P.S.

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https://www.somo.nl/debt-crisis-alert-end-quantitative-easing-poses-grave-risks-emerging-economies/