

**TABLE 3**  
**Foreign Debt of 57 Problem Countries by Type of Creditor, 1986**  
*(exclusive of obligations to IFIs)*

	\$ billions	per cent
Government-to-government loans	166	29
Commercial banks	309	55
Non-bank private creditors	91	16
<b>Total</b>	<b>566</b>	<b>100</b>

Generally speaking the developing countries of the Asian and Pacific regions have had a more varied experience with external debt problems than have countries in other areas of the world. Asian countries have an outstanding debt of about \$250 billion, over 80 per cent of which is being handled without difficulty. South Korea, for example, is the fourth largest debtor country after Brazil, Mexico and Argentina, but it is servicing its debt and obtaining "voluntary" lending from commercial banks to pursue its economic goals. India has borrowed cautiously and avoided serious debt servicing problems; as a result it is in a position to borrow new capital from private sources. The Philippines has a major debt problem and has experienced serious capital flight as well, and several other countries such as Indonesia and Malaysia are having increasing difficulties.

A comprehensive survey would not be complete without a reference to the countries of Eastern Europe. Even though these countries are not considered Third World or "developing countries", their debt affects the availability of new loans to Third World countries from commercial banks of OECD countries. In 1982, the outstanding debt of Eastern European countries stood at \$63.5 billion of which the \$26.5 billion Polish debt constituted more than a third. Poland owed approximately one-half of its external debt — or \$13 billion — to commercial banks. In 1981, even prior to the Mexican crisis, Poland had trouble meeting its debt obligations and asked for debt rescheduling. Shortly afterwards, there were liquidity problems in Romania, Yugoslavia, Hungary and East Germany which have all had reschedulings. So far, however, except for Poland and Yugoslavia, the state-directed economies in these countries have been better able than Third World countries to institute the rigorous adjustment programs required. Canada and several other western countries, notably the United States, France, Germany and the United Kingdom, are substantial creditors, along with their banks, to some of these Eastern European countries.

### **Decline in New Lending**

Far more serious than the size of the debt owed by the problem debtor developing countries has been the fact that new net lending by the commercial banks is no longer flowing to the "problem" Third World countries. In fact, many of these countries are currently faced with a serious net outflow of capital. In 1981 commercial bank lending to all developing countries amounted to \$50 billion. By 1985 such loans had dropped to \$16 billion, most of which was lent to Asian developing countries; by 1986 new bank lending to Latin American debtor countries had declined to almost zero.