Executive Summary

The developing countries, particularly the poorest, face daunting challenges if they are to resume growth and overcome poverty. Relative to their economies, many have large debts which have become a constraint on development. The adverse impact of the Gulf crisis and the oil price increase serve to emphasize their vulnerability to external events.

There is no single solution to the problems of the debt-distressed developing countries. Sustainable progress is possible only if they implement effective policies and undertake significant programs of adjustment necessary to restore economic health. These efforts must be supported with adequate external assistance including relief from the debt burden.

The problem of how to accelerate growth in developing countries and to make it more socially responsible is one of the most urgent problems we face today. Canada has a responsibility to provide leadership and support to these countries as they struggle with the problems of debt and development. Such leadership has to take cognizance of our own fiscal and economic situation.

The world community is now launched on a new phase of the response to the debt problem. The measures available to reduce the debt burden will be expanded as new proposals are taken up in various fora.

The following **principles** form the basis of Canada's approach to the debt problem:

1 *The objective of the debt strategy is to assist debtor countries to implement appropriate policies so as to restore their economic health, achieve sustainable development and bring about a return to international creditworthiness.*

2 *International co-operation and co-ordination will help ensure that appropriate policies are pursued, there is burden-sharing among creditors and by debtors, and external resources are adequate and timely.*

3 *Policies based on market principles, an environment conducive to domestic and foreign investment and freedom for entrepreneurial initiative will foster a healthy economy.*

4 *Economic health is a key to strengthening and consolidating democratic government, the rule of law, and respect for human rights.*

5 *Structural adjustment should be socially responsible and seek to bring benefits to disadvantaged groups by promoting social justice and economic equity.*

6 *As each country's stage of development, economic potential and debt structure are unique, the debt strategy must be implemented on a case-by-case basis.*