

from the original principal of the loans, some contracted by corrupt, undemocratic governments, huge sums of interest have been paid to the North. This outflow of capital from South to North comes at a time when the annual increase in per capita incomes in the industrialized world exceeds the total average per capita income in the developing world which is about \$US 300. Trade flows, investment in basic infrastructure, human health and education, the capacity of governments to cope economically, politically, socially, and environmentally—all have suffered grievously as a result of this gross and growing imbalance.

This surely is not the sort of world we wish to pass on to future generations. Canadians also are already feeling some of the negative impacts of debtor countries' depression and desperation, at the same time as our aid investments in these countries are put in jeopardy. With respect to trade, their loss of buying power due to debt may have cost up to 50,000 Canadian jobs annually since 1982 in lost export sales. Nor is Canada immune from the effects of environmental degradation which occurs because of economic pressures exacerbated by external debt. These same pressures add to the levels of violence and human rights violations, to the numbers of untreated AIDS cases, to international problems of refugees, drug trafficking, and illicit commerce. In short, the debt crisis is endangering the health and safety of everyone on the planet.

There is another issue of perception which needs to be confronted in overcoming public skepticism: that is the notion that since Canadians have to pay their debts, why should developing nations be allowed to get special treatment on theirs? Under normal circumstances countries, like people, try to repay debts that have been honestly and fairly incurred. This is as it should be or there would be a serious problem of "moral hazard" for lenders. But assertions that we pay and they do not, as well as assumptions of the normality or fairness of much of the Third World debt, need to be challenged and corrected. Northern banks were eager to make sovereign loans during the 1970s. As is now commonly acknowledged, some of these loans were made imprudently or to governments of questionable legitimacy. Banks share some responsibility with borrowers for that abnormal lending spree. Moreover, as Jaime Wright of Brazil told the Sub-Committee, many of his country's debts were illegally contracted by the previous military dictatorship. Even so, Brazil paid \$176 billion in interest on its foreign debt from 1972 to 1988; \$17 billion in 1988 alone. Between 1980 and 1987 the outflow of capital from Brazil was over \$50 billion, yet the debt today stands at a record \$113 billion. Much of the build-up in debt payments is because of unilateral hikes in international interest rates which reached historically abnormal levels during the 1980s. How can such an unjust, unhealthy situation be allowed to continue?