

Chapter II

THE SIZE OF THE DEBT

The total amount of loans to developing countries by commercial banks, creditor governments and their agencies and international financial institutions is now estimated at \$1 trillion. About half the Third World countries, 67 in number, are having difficulty keeping up with their payments. Their combined debt amounted as of 1986 to \$566 billion. Apart from putting a severe strain on the international financial system, the serious concern about this debt is that it is expanding, growing year after year, while the capacity of the debtor countries to make payments is in many instances diminishing.

It is important to draw attention to certain factors that make it difficult to pinpoint the precise extent of the "problem" debt. Chief among these is the fact that various interested institutions or governments base their statistics on different groups of countries, depending on what issues they are seeking to illuminate. The IMF presents statistics on 57 "problem" Third World debtor countries and this is usually regarded as the most comprehensive list. In 1985, the U.S. Treasury identified 15 — since raised to 17 — countries, comprising mainly those that are most heavily indebted to U.S. commercial banks but including a few countries such as Ivory Coast and Nigeria, where U.S. banks are less heavily involved, but which have been added, some witnesses suggested, for "political" reasons. In 1984, the Canadian Inspector General of Banks identified 32 debtor developing countries against which the Canadian commercial banks were directed to establish reserves in the form of general provisions. In 1986, a slight revision of the list raised the number to 34 countries.

It is also difficult to define precisely what constitutes external debt. Loans from governments in the form of official development assistance and loans from the commercial banks of the OECD countries represent two major forms of debt. Most export development financing from government agencies is also included in debt totals. On the other hand, suppliers' credits for periods of less than a year are not usually counted, but will be picked up as a debt obligation should the term be extended beyond a year as part of a debt rescheduling agreement. Lines of credit extended but not taken up are difficult to categorize for obvious reasons. The IMF, whose credits are short-term, does not include its own obligations in debt statistics it publishes, although the figures are public and readily available. Information on some forms of lending — notably from the Euromarkets where supervision and controls are minimal — is often not picked up until reported by borrowers, usually on the occasion of a rescheduling. Accordingly, depending on which categories of debt are included or excluded, quite different statistical results may emerge.