

## Chapter IV

### THE DEBTOR COUNTRIES

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#### The Middle-income Debtor Countries

Since 1982 the efforts of many debtor countries to pay interest on their debts, whether private or official, have necessitated difficult adjustments and painful sacrifices. Failure to make any progress in reducing the debt burden has caused an increasingly strong reaction on the part of many debtor countries.

A systematic expression of a number of these debtor countries' views is contained in the 1985 declaration of the Cartagena Group of 11 Latin American countries. Pointing to the serious decline in living standards in Latin America since 1980, the lack of economic growth and the sizeable negative transfer of real resources abroad the Cartagena ministers spoke of the resultant threats to consolidation of democratic processes in their countries. They proposed a series of measures to assist growth in their economies, including:

- the return of real interest rates to their historic levels, longer maturities and grace periods for debt servicing;
- an increase in the flow of funds and separation of present debt from future debt;
- a limitation on net resource transfers out of the debtor countries and a possible ceiling on debt service payments relative to export earnings;
- a substantial increase in the resources of the multilateral development banks along with limitation of the conditionality required by these agencies;
- for official debt, a multi-year restructuring of principal and capitalization of interest for debtors in need of such measures without creditors suspending their coverage of new export credits;
- enlargement of the IMF's Compensatory Financing Facility;
- avoidance of overly restrictive conditionality and of World Bank-IMF cross-conditionality; and
- the elimination of protectionist trade measures that restrict or bar access to developed countries' markets.

The Latin American debtor countries' ministers also called for "a political dialogue . . . in an appropriate forum" between debtor and creditor governments, a request creditor governments have steadfastly refused to agree to.