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INTERNATIONAL DEBT

The Issue and its Setting

Substantial progress has been made since 1982 in managing debt servicing problems in developing countries. The case-by-case approach to debt problems has proved sufficiently flexible to deal with a variety of situations in debtor countries. The co-operation of debtors and creditors, both official and commercial, who are in turn working closely with the International Monetary Fund and the World Bank has been a critical factor in the progress achieved to date.

However, this progress has been uneven. Many countries have had difficulties in implementing adjustment programs. Taking into account the slowdown in economic growth in the USA, limits to new financing, lower commodity prices and growing protectionist pressures in some industrialized countries, the external environment is less favourable for debtor countries than it was in 1984.

Latin America, with a larger percentage of outstanding LDC (Less Developed Country) debt, remains the focus of concern from the perspective of safeguarding the international system of payments. Asian countries have generally weathered the debt crisis better than LDCs of other regions.

A number of African countries have substantial external debt in terms of their small and fragile economies. The difficulties of these smaller debtors do not pose a threat to the international financial system, but the impact on their own situation is very severe. Most Sub-Saharan African countries have small resource bases and are dependent on one or two export commodities. Many have had problems with famine. African countries have thus called for specific measures to deal with African debt, including a special international conference.