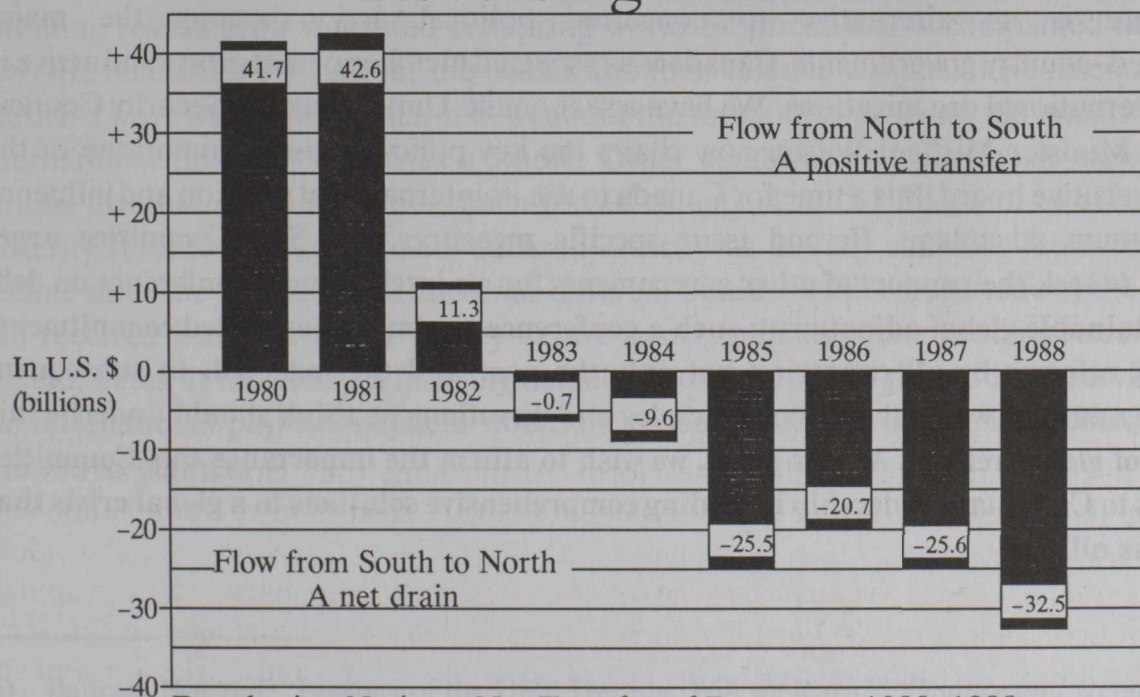


it was -1.6%. Small wonder that Africans and Latin Americans refer to the 1980s as a "lost decade." And still, as was noted earlier, debt service by developing countries was three times the level of aid they received in 1988.

This situation cannot continue if there is to be any hope of building a stable, secure international order. Reversing the outflow of resources, and the loss of opportunity, from South to North requires a set of integrated, coherent and coordinated policy responses. The issues of debt, aid and trade must be linked to fundamental reforms in the global political economy that make possible equitable and sustainable development. Whatever the policy failures of individual debtor governments, the persistence of the debt crisis is manifest evidence that the world economy is malfunctioning to the detriment of many of the world's poorest nations. We are all paying a price for that: in terms of lost trade and employment; higher taxes; increased pressures on the natural environment; threats to the political stability of fragile democracies; increased violations of human rights, civil conflicts, and refugee flows;—in short, in the costs of less welfare, security and justice for the global family.

Figure 1  
Reversing Financial Flows



Developing Nations: Net Transfer of Resources 1980-1988

Sample of 98 nations - covers private direct investment, private loans, official flows.

Source: United Nations and World Bank data.