affecting wages and prices, the rates of domestic savings, levels of domestic investment and fiscal deficits, domestic policies affecting production and the state of a country's external accounts, to name a few. Nor can it be taken for granted that all debtor countries will have the infrastructural base or the entrepreneurial expertise needed to transform their countries quickly into effective market economies.

Even when all the appropriate measures can be brought together successfully, external events beyond the control of national governments can cause them to fall short of their economic targets. Factors such as weather can drive the price of a major export commodity sharply up or down; drought or frost can destroy an important crop, or good weather can cause a glut — as is now occurring in the international coffee market — and drive down prices world-wide, affecting producers in different continents alike. New protectionist measures can also deny or limit access to important industrialized markets. Tariffs and non-tariff measures are the most obvious barriers that can be erected. But subsidies by large temperate-zone producers of agricultural commodities — notably sugar, soya beans, wheat, meat, rice and cotton — which Third World countries also produce can have disastrous effects on their balance-of-payments positions. Canadians have a keen sense of the serious consequences on the Canadian economy of the current competition in wheat export subsidies between the United States and the European Community. But for a country like Argentina whose economy is more heavily dependent on export earnings from wheat sales, the impact has been even more serious. Likewise, Brazil as well as Argentina, both large beef producers, have suffered for some time from price supports on meat in the European Community.

Brazil's recent experience illustrates, however, that internal rather than external factors tend to be the dominant influence on a country's economic development.

Lessons from the Brazilian Experience

Until the autumn of 1986, it was the perceived wisdom to look on Brazil as one of the few problem debtor countries coping successfully, particularly by comparison with Mexico. In its 1986 annual report the Royal Bank commented favourably on Brazil's "bold anti-inflation plan", and the "austere budget proposed for 1987" and it anticipated "very strong growth performance". The Toronto-Dominion Bank referred to the "healthy pace of economic expansion" and noted that Brazil enjoyed "consistently . . . good trade surpluses". But between October and December 1986, Brazil's export surplus fell by over 80 per cent, and by February 1987, it had declared a moratorium on interest payments on foreign bank debt. A careful look at the Brazilian experience is instructive.

During 1984 and 1985, Brazil had developed an annual trade surplus amounting to $12 billion, partly helped by lower-cost oil imports, declining interest rates and a fall in imports as consumer demand declined, but also due to a high level of exports. In February 1986, on its own initiative, and without the direct involvement of the IMF, Brazil instituted sweeping economic changes — known as the Cruzado Plan — to combat the country's soaring inflation. While the initial results of these measures were positive — and in fact led the creditor