Another factor adding to the problem of net capital outflows from developing countries is the flight of private capital and the reluctance to repatriate capital. Up-to-date figures of the size of these flows are difficult to pinpoint. However, a 1985 World Bank table, reproduced here as Table 4, provides an estimate of the size of capital flight from certain selected countries between 1979 and 1982.

Deterioration in Capacity of Problem Debtors to Pay

The full dimension of the problems facing debtor countries can only be appreciated by examining the deterioration since 1982 in their capacity to make payments on their debts. This can best be assessed by noting the trend in each of the three key debt indicators that measure the debt burden of the 57 countries having debt difficulties. These indicators are: a) the ratio of debt to GDP; b) the ratio of debt to exports; and c) the debt service ratio, that is, the interest and principal due on the debt as a percentage of exports of goods and services. All three indicators are used widely, including by the IMF and the Canadian Department of Finance, as measurements of the debt problem. All three are considered useful signs of a borrowing country's creditworthiness. Increases or decreases in the ratio of debt to GDP measures a country's ability to service debt out of the current national income. A continued rise in the ratio of debt to exports indicates an incipient liquidity problem and suggests the likelihood of additional net borrowings that will add to debt servicing difficulties. A rise in the ratio of debt service payments to exports of goods and services suggests that a borrowing country is becoming increasingly vulnerable to adverse external developments such as higher interest rates, unfavourable terms of trade or a decline in new capital inflows. Table 5 indicates how each of these ratios has worsened for all Third World debtor countries between 1981 and 1985.

The above statistics show that the countries of Latin America and the Caribbean face a particular squeeze between their requirements to service and repay their debts at floating rates and the decline in revenues from their exports due to such factors as falling commodity prices and shortcomings in their past

TABLE 5

Indices of Debt Burden

	Debt as a % of GDP		Debt as a % of exports		Debt payments* as a % of exports of goods and services	
	1981	1985	1981	1985	1981	1985
57 problem countries	36	48	180	261	31	37
Latin America/Caribbean	36	48	208	295	41	44
Sub-Saharan Africa**	43	63	169	240	18	29
Small low-income countries	41	59	269	383	18	30
Asian developing countries	18	25	71	93	9	12

* Interest, amortization or both.
** Excluding Nigeria and South Africa.
Source: IMF, *World Economic Outlook*, April 1986.