SUMMARY OF THE REPORT

(Notes for the Chairman's remarks on the tabling of the report in the Senate)

The Size of the Debt

By 1986 external debt of Third World countries amounted to $1 trillion. This debt has been incurred by developing countries that have borrowed from commercial banks, creditor governments, the IMF, the World Bank and the regional development banks. Over half of this debt — $566 billion — is owed by 57 debtor countries that have problems with their payments. Two-thirds of the problem debt is owed by Latin American countries, much of it to commercial banks in OECD countries. Canadian banks alone have lent over C$27 billion to countries now having debt servicing problems. This situation has caused the commercial banks in creditor countries to experience a fall in income and the international financial system is under strain. Another component of the problem is the debt owed to creditor governments by developing countries; known as official debt, it constitutes an extremely heavy burden for many low-income countries, particularly in sub-Saharan Africa.

The size of the problem debt is growing while the capacity of many debtor countries to make payments is diminishing. The Third World debt problem is serious, complex and worrisome to developing and developed countries alike.

A problem as complex and serious as the debt question can only be reduced to manageable proportions through comprehensive and integrated policies worked out and adopted by the principal actors involved, including the debtor countries, the international financial institutions, the commercial banks and the creditor governments.

The Debtor Countries

Since the 1982 Mexican debt crisis, many middle-income debtor countries have had to put in place fiscal and monetary reforms as a condition to receiving funds from the IMF and the commercial banks. Although these international arrangements have prevented a collapse of the international financial system, the debt burden on the problem debtor countries has not diminished. This situation has caused an increasingly strong reaction on the part of many of the debtor countries that are experiencing economic and social dislocation. Nonetheless, if these countries are to achieve lasting improvements in the way their economies are organized so as to be able in future to enjoy stable economic growth, they must be prepared to persist in the sound economic adjustment measures developed by the IMF, the World Bank and private economic research institutions, including to: