4. Outlook

Following the recent conclusion of the Brady deal between Brazil and its creditors, a *New York Times* article declared that the deal "allowed bankers to trumpet what many had been saying more quietly for years: the international debt crisis is over."[30] The debt crisis may only be a bad memory for international bankers, but it is far from over for a number of developing countries. Although countries have been faced with relatively favourable interest rates in the 1990s, principal and interest arrears have continued to grow, while the proportion of outstanding debt on concessional terms has increased only modestly (see Table 5).[31] Table 4 shows the relative debt position of the world's developing countries in 1992 versus 1980. The stock of external debt relative to export earnings and GNP has increased for the majority of countries. More important, however, is the relative worsening of the debt-servicing position of most developing countries, since this reflects the present ability of these countries to honour their debt obligations.

Only in the cases of East Asia and the Pacific and Latin America and the Caribbean has the debt-service ratio improved. These economies have shown strong performance in the recent past and, fuelled by impressive expected economic growth, this trend will likely continue over the next few years. These two regions are also attracting large amounts of private capital, including new commercial bank lending. Unlike the years preceding 1982, however, private capital is now largely in the form of bonds, equity financing and FDI. Use of these instruments spreads potential risk amongst many investors, unlike before 1982 when debt was concentrated in commercial bank lending. With continued growth and economic reforms in these countries, their debt management position will continue to improve.

Low-income countries, too, will likely see their debt-servicing capabilities enhanced over the short-term, as global economic growth increases export revenues and debt reschedulings continue to reduce debt service payments. As a result, little may be said over the next few years about the external debt still owed by these countries. The debt overhang, however, will remain and debt-servicing problems will likely arise again, especially with regard to the weak economies of

export ratios . . . For them, debt forgiveness would be truth in accounting." See Gilpin (1994).

[30]Gilpin (1994).

[31]The London Interbank Offered Rate (LIBOR), the interest rate on which most sovereign loans are based, fell from 9.3% in 1989 to 3.7% in 1992. See International Monetary Fund (1993), Table A14, p. 149.