manoeuverability constrained by the pressure of debt servicing and their position becomes highly vulnerable as a result. The recent riots in Brazil give ample proof that a debtor country's fragile social and political fabric can be threatened by widespread discontent with austerity conditions. Moreover, such developments make measures of reform and restructuring even more difficult.

Mr. Cedric Ritchie, Chairman of the Bank of Nova Scotia, told the Committee that continual applications of austerity measures "have exacted a social and political cost that, in some countries at least, appears to be unsustainable". Mr. William Mulholland, Chairman of the Bank of Montreal, put it even more directly: "if we think we can convince debtor countries that it is in their interest to eat less in order to make loan repayments, we had better think again."

Canadians share an interest with other industrialized democracies in seeing democratic systems in developing countries grow stronger. The Committee urges the Canadian government to recognize that the debt burden could have an adverse effect on the stability of these developing democracies.