

manoeuvrability 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.

*Dangerous Implications for Democratic Debtor Countries*

The debt crisis of the 1980s has had a profound impact on the political and economic stability of many developing countries. The heavy burden of external debt has forced governments to implement austerity measures that have led to widespread social and political unrest. In many cases, the debt crisis has undermined the democratic institutions that were established in the wake of independence. The pressure to service debt has often led to the erosion of civil liberties and the concentration of power in the hands of a few elites. This has created a dangerous situation for the future of these countries, as they struggle to maintain their democratic systems while facing the economic challenges of the debt crisis.

The debt crisis has also had a significant impact on the global economy. The need for external financing has increased, leading to a rise in interest rates and a tightening of credit conditions. This has had a negative effect on the growth of many developing countries, as they are unable to obtain the funds they need to invest in infrastructure and social services. The debt crisis has also led to a loss of confidence in the international financial system, which has further exacerbated the economic difficulties of many developing countries.

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