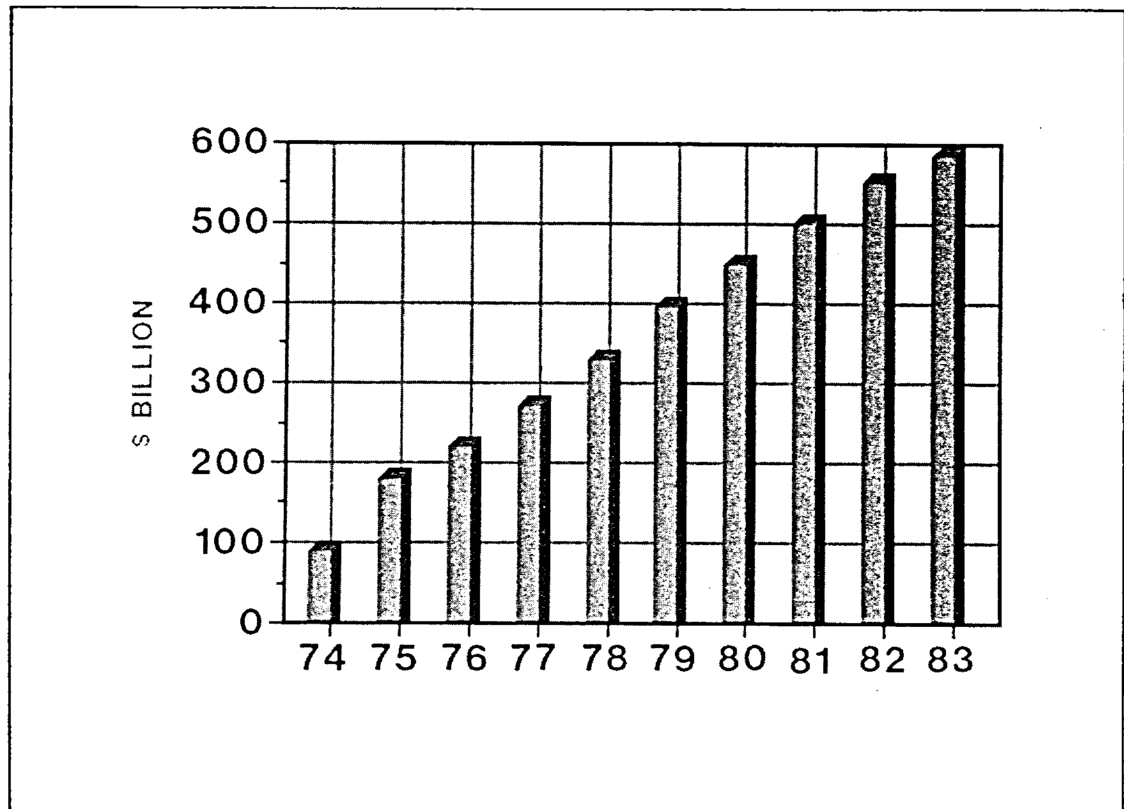
EC.) In 1970, private bank lending to developing country governments was (U.S.) $4.1billion and the debt service requirement for those governments was (U.S.) $2.9billion; in 1982 the comparable figures were (U.S.) $48billion and (U.S.) $47.1billion respectively.

When the second oil shock hit in 1978/79, followed by the severe recession and high interest rates of 1981/82, almost everyone, and particularly the oil importing Third World countries, suffered. Some of these latter countries found themselves unable to repay bank loans, which had been drawn on sometimes unrealistic assumptions of growth. Paying for oil consumed large proportions of foreign exchange. Deteriorating terms of trade with industrial countries and growing food import costs also caused severe harm. (See Figure 2.) And most were forced into accelerated change of the structures of their economies by a lack of foreign exchange and by conditions attached to new lending by the IMF and World Bank. For some, adjustment initially had to take the form primarily of import cut-backs, with consequences for production and employment in industrialized countries. Even those successful in expanding export production faced new and complex forms of protectionism in industrial country markets, which limited their ability to ease domestic hardship.

Figure 2: TOTAL DISBURSED LONG-TERM DEBT OF DEVELOPING COUNTRIES



Source: OECD, "Development Co-operation", Paris 1983