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Central America: Notes On Foreign Debt Burden

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At present, the foreign debt of the five Central American countries totals about \$20 billion. On a per capita basis, the region's foreign debt burden ranks among the highest in the world. Growth of the debt has declined somewhat in recent years. For the 1978-81 period, the region's debt increased by 18.5%; from 1981 to 1983, 17.8%; and, between 1983 and 1986, 8.5% per year. Gross domestic product growth has not kept pace with debt increments. In the 1980-1985 period, for example, the region's aggregate annual economic growth rate was a mere 1%. According to the UN's Economic Commission on Latin America (ECLA), regional debt per capita in 1986 averaged \$729, representing more than a 100% increase since 1978. Per capita debt in Nicaragua and Costa Rica ranked highest: \$1,400 and \$1,700, respectively. By year-end 1986, Central America's foreign debt was equivalent to 81% of regional aggregate product, compared to 36% for Latin America as a whole. Between 1978 and 1986, the same ratio rose from 61.4% to 252.6%. At year-end 1986, the regional debt totaled some \$17.2 billion, most contracted by the public sector. By country, debt distribution was as follows: Nicaragua, \$5.7 billion; Costa Rica, \$3.74 billion; Honduras, \$2.93 billion; Guatemala, \$2.64 billion; and, El Salvador, \$2.1 billion. In 1986, the Central American foreign was equivalent to 300% of export revenues. According to ECLA, foreign debt growth in 1987 ranged from 1.6% for Costa Rica to 7.4% in Nicaragua. In the same year, per capita gross domestic product dropped by 0.4% in Guatemala and 1.7% in Nicaragua. Costa Rican GDP increased 0.2%, and Honduras registered a 1.1% increase. Between 1980 and 1987, Central American terms of trade plummeted: coffee prices fell 41%; cotton, 31%; and in the case of sugar, 83%. In 1987 alone, the region lost nearly \$1 billion in export revenues, result of declining export prices. That year the region's debt service was about \$1 billion. [Basic data from *El Financiero* (Mexico), 04/08/88; *Central America Information Bulletin* (Agencia Nueva Nicaragua), 06/29/88]

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